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Hongkong's Trade

Figures recently released by the Dept. of Commerce & Industry in regard to Hongkong's trade for April, which totalled HK\$476 million, show a decline of nearly 6½% below the volume of trade for March of \$509½ million, although when compared with April of last year they are almost 73% above that total of \$275 million.

To carry the comparison further, it is interesting to find that the April 1949 figure was 31% below that of March 1949 (\$399 million), so that on the wider survey the much slighter fall in value this April has not created much concern; in fact, where imports are concerned the reduction has provided something of a respite in which to clear the warehouses.

Compared with March (\$270 million), imports during April (\$247 million) fell by 11½%; in April 1949 imports (\$160½ million) dropped by 27½% as against the preceding March (\$222 million).

Exports, on the other hand, which totalled \$229 million were lower than the March figure of \$230 million by less than 1%, whereas the April 1949 figure of \$115 million fell by 35% against March 1949 (\$177 million).

The excess of imports over exports, which seems an inevitable part of Hongkong's set-up in trade, was very much reduced in April as compared not only with March but also with the adverse balance in April and March of last year:

Adverse Trade Balance	
April 1950	\$18.38 million
March "	48.95 "
April 1949	45.62 "
March "	44.64 "

Perhaps the most significant development in Hongkong's trade during April, apart from trade with China, was the growth in exports to the United Kingdom which amounted to \$17.3 million, a rise of 46% compared with March \$12½ m. and of over 120% as against April 1949 \$7.8 m. Of these exports, close upon \$8½ m. consisted of locally-manufactured goods, which increased by 38% over March, as pointed out in the "Far Eastern Economic Review" of May 25. (No. 21, page 680).

Where China is concerned, if the conditions under which trade has been carried on during the past few months are taken into consideration, it is almost startling to find that exports (\$102 million) increased in April by 85% over exports during March (\$55 m.), bringing the amount nearly level to

that for February (\$103 m.) though still below that for January (\$121 m.). These figures include exports despatched to Macao from Hongkong, which are almost entirely destined for South China.

The following table gives the trade of Hongkong with China (and Macao) for the four last months of 1949 as compared with the first four months of 1950 (values are shown in millions of dollars):

	China and Macao		
	Imports	Exports	Balance
1949			
September	55.7	108.1	52.4
October	73.8	81.9	8.1
November	41.6	120.3	78.7
December	54.3	157.8	103.5
1950			
January	58.4	120.8	62.4
February	50.6	102.7	52.1
March	57.4	55.1	(2.3)
April	56.4	101.9	45.5

The proportion borne by each part of China in trading with Hongkong is given below, from November (when the Communist Govt. was established) to April:

Hongkong's Trade with China		
November 1949	Imports	Exports
China, North	23.4	56.8
" Central	5.3	23.2
" South	8.5	9.9
Macao	4.4	30.5

Hongkong's Trade for April 1950 and for the First Four Months of 1950.

Trade during April

The total volume of Hongkong's trade in merchandise (excluding gold and specie) during April 1950, according to figures issued by the Dept. of Commerce & Industry, amounted to a declared value of HK\$475,856,404, an increase of \$200.5 million or 72.9% over April 1949 (\$275.3 million), but a drop of \$33.6 m. or 6.5% as compared with March (\$509.5m.). The figures include Government sponsored cargoes.

Imports totalled \$247.1 million as compared with \$160.4 m. in April 1949 or a rise of 54%, but showed a fall of 11.5% against March (\$279.2m.).

Exports abroad were valued at \$228.7 m., an increase of 99.2% against April 1949 (\$114.8 m.) but a decline of \$1.6 m. compared with the March figure (\$230.3 m.).

Imports showed an excess over exports of \$18.4 m., as compared with an import excess of \$45.6 m. in April 1949 and of \$48.8 m. in March.

December 1949		
China, North	30.6	62.3
" Central	9.0	43.6
" South	6.9	17.9
Macao	7.7	34.0
January 1950		
China, North	35.6	41.6
" Central	9.7	29.9
" South	6.3	21.8
Macao	6.8	27.4
February 1950		
China, North	28.1	27.4
" Central	4.7	30.9
" South	11.2	23.6
Macao	6.5	20.8
March 1950		
China, North	13.5	17.2
" Central	2.9	3.9
" South	32.7	10.3
Macao	8.2	23.6
April 1950		
China, North	26.3	36.6
" Central	4.8	34.4
" South	18.1	12.6
Macao	7.2	18.4

During the period covering the last four months of 1949 and the first four months of 1950, Hongkong's total trade was as follows:

Hongkong's Total Trade (\$ millions)			
1949	Imports	Exports	Balance
September	267	225	43
October	277	206	72
November	269	236	33
December	287	279	7½
1950			
January	322	239	83
February	249	199	50
March	279	230	49
April	247	229	18

Generally speaking, the falling off in trade during the month is not to be regarded with undue pessimism. It is noteworthy that although imports fell from \$279 million in March to \$247 million, exports fell very slightly, from \$230 million to \$229 million. This trend is not altogether unhealthy in view of the continued pressure on godown space.

Trade for January/April

Hongkong's total trade for the first four months of 1950 showed an amount of \$1,992.8 m. compared with \$1,302 m. for the same period in 1949. Imports amounted to \$1,096 m. (Jan./Apr. 1949 \$703 m.) and exports to \$896.7 m. (\$599 m.) giving an adverse balance of \$199 m. (\$104 m.).

Trading Partners

Outstanding points in Hong Kong's trade with other countries are given below, the March figures being shown in brackets for purposes of comparison. All values are in millions of dollars.

China and Macao. The total trade of Hongkong with China (alone)

amounted to \$132.7 million, a rise of 136.8% over April 1949 \$56 m., but a drop of 9.6% below March \$146.8 m. Including Macao, the total trade figures were \$158.5 m., compared with \$70.7 m. for April 1949 and \$178.7 m. for March. Imports including those through Macao, came to \$56 m. (\$60 m.), exports totalled \$101.5 (\$118); exports showed an excess of \$45.5 (\$58). The following table gives details of the trade with each part of China:

	Imports	Exports	Total
China, North	26 (28)	37 (41)	63 (69)
" Central	5 (7)	34 (37)	39 (44)
" South	18 (17)	12½ (16)	30½ (33)
Total China	49 (52)	83½ (94)	132½ (146)
Macao	7 (8)	18 (24)	25½ (32)

China & Macao 56 (60) 101½ (118) 158 (178)

In imports from North China, the falls were \$3½ millions for oil seed cake and \$2½ millions for groundnuts. Exports of raw cotton fell by \$4 millions and gunny bags by \$4 millions. Report has it that heavy purchases of gunny bags in the past were for Manchurian beans, which are said to be going to Russia.

For Middle China exports of flour increased by \$2 millions and imports of sugar fell by over a million.

Although imports from South China remained steady, the value of teaseed oil imported increased by 2½ millions, this increase being largely offset by a fall in the pig's bristles business. The teaseed oil went on to the United Kingdom to meet the insatiable demand of the fish and chip shops. Falls in exports to South China were recorded in almost all categories.

In connection with the trade of Central and South China, that of Taiwan, in particular, and Hainan Island plays a considerable part. The trade of Taiwan amounted to \$28.2 (\$27.8) out of a total for Central China of \$39 (\$43.7), imports being \$1.1 (\$3.3) and exports \$27.1 (\$24.5) as against \$4.8 (\$6.8) and \$34.4 (\$36.9). Hainan Island contributed \$2.4 (\$2.1) out of a total for South China of \$12.6 (\$16.2):

	Imports	Exports	Total	Balance
China, North	118 (41)	147 (39)	265 (80)	29 (2)
" Central	26 (11)	132 (12½)	158 (23½)	106 (1½)
" South	53 (107)	74 (35½)	127 (142½)	21 (71½)
Macao	29 (27)	90 (39)	119 (66)	61 (12)
Total	226 (186)	443 (126)	669 (312)	217 (87)

U.S.A. Total trade with the United States amounted to \$57.4 (\$69). Imports came to \$42.9 (\$54) and exports to \$14.5 (\$14.9), showing an adverse balance of \$28 (\$39). The drop in imports was largely occasioned by a reduction in purchases of raw cotton.

United Kingdom. Total trade was \$52.7 (\$45.6). Imports were \$35.5 (\$35.8) and exports \$17 (\$7.8), or an adverse balance of \$18.5 (\$14.6). Up to \$2.5 of the increased exports was due to teaseed oil.

Over the four monthly period total trade amounted to \$203 (\$153). Imports came to \$152 (\$103) and exports to \$51 (\$50.7), or an adverse balance of \$101 (\$52).

Malaya. Total trade \$30 (\$32.8). Imports \$5.6 (\$8) exports \$24.5 (\$24.7), excess of exports \$19 (\$16.7).

The importance of Hongkong's trade with Malaya is indicated by the figures for the first four months of the year. With that country over this period, there was a favourable balance of \$67 millions, with exports at \$96 millions and imports at \$29 millions.

Indonesia. Total trade \$19.5 (\$6.9). Imports \$6 (\$5) and exports \$13 (\$1.8), or an excess of exports of \$7 (import excess of 3.2). Almost \$9 of the increase in exports was accounted for by cotton yarn.

India. Total trade \$10 (\$18.7). Imports \$9.4 (\$17.7) and exports \$792,000 (\$1); adverse balance \$8.6 (\$16.7). The fall in imports was mainly explained by a drop of \$4.5 in cotton yarn and almost \$3 in gunny bags.

Pakistan. Total trade \$10 (\$20). Imports \$8 (\$11.6), exports \$1.8 (\$8.7); adverse balance \$6.6 (\$3). The drop in exports is probably caused by the cessation in trading in Indian cotton yarn. At one time some local dealers purchased this material and re-exported it under certificate of origin as made in Hongkong; but this practice has now been checked.

Commodities

The principal commodities showing increased imports during April compared with March were: Cereals \$11.7 (\$8.7) and oils and fats \$17 (\$13.7); decreases were shown in: Cereal products \$3.9 (\$8.2), feeding stuffs for animals \$2 (\$6.9), fertilizers \$3.6 (\$5.8), raw cotton \$17 (\$26), yarns and threads \$6 (\$11.6), made-up articles of textile materials other than clothing

	Imports	Exports
Taiwan	1.1 (3.3)	27.1 (24.5)
All Middle China	4.8 (6.8)	34.4 (36.9)
S. China by land	12.9 (12.2)	10.0 (11.4)
Hainan	0.2 (0.2)	2.4 (2.9)
Total	13.1 (12.4)	12.4 (14.3)
All S. China	18.1 (17.2)	12.6 (16.2)
Shanghai (by rail)	3.4 (1.7)	2.7 (0.9)

For the first four months of 1950 compared with the corresponding period in 1949, the amounts are as follows:

	Imports	Exports	Total	Balance
China, North	118 (41)	147 (39)	265 (80)	29 (2)
" Central	26 (11)	132 (12½)	158 (23½)	106 (1½)
" South	53 (107)	74 (35½)	127 (142½)	21 (71½)
Macao	29 (27)	90 (39)	119 (66)	61 (12)
Total	226 (186)	443 (126)	669 (312)	217 (87)

\$1.9 (\$4), miscellaneous crude or simply prepared products \$6 (\$11).

The main exports showing on increase were: Cereal products \$9.5 (\$7), vegetables \$8.8 (\$6.8), feeding stuffs for animals \$4 (\$2.9), vegetable oils \$14.8 (\$10), yarns and threads \$16 (\$13.9) textile fabrics and small wares \$14 (\$12). The chief decreases were in: Dairy products \$2 (\$4), fertilizers \$5.6 (\$8.5), textile materials, raw or simply prepared \$17.8 (\$22.7), made-up articles of textile materials other than clothing \$8 (\$10).

Over the four months of 1950 compared with 1949, the most important increases in imports were in: Feeding stuffs for animals \$25.6 (\$3.5), chemicals \$64 (\$37), fertilizers \$17.9 (\$788,000), paper \$43.6 (\$21), textile materials, raw or simply prepared \$72 (\$14.8) yarns and threads \$72 (\$14.8), textile fabrics and small wares \$82.8 (\$62.6), made-up articles of textile materials \$31 (\$7.7), heating and lighting products \$53.8 (\$39), iron and steel \$40.6 (\$20.8).

In exports the chief increases were in: Cereals \$10.7 (\$812,000), cereal products \$26 (\$8.8), vegetables \$28.7 (\$16), sugar and sugar confectionery \$15.6 (\$3.6), feeding stuffs for animals \$15 (\$2), chemicals \$40 (\$22.6), fertilizers \$20.6 (\$2.5), paper \$35.8 (\$24.9), textile materials, raw or simply prepared \$64.8 (\$22), yarns and threads \$8.7 (\$41), clothing and underwear and hats \$38 (\$24), made-up articles of textile materials \$43.6 (\$15.8), heating and lighting products \$41.7 (\$22), miscellaneous crude products \$54 (\$38). The main decreases were in: vegetable oils \$37 (\$49), textile fabrics and small wares \$55 (\$66.6) manufactures of base metals \$30 (\$39).

Revenue

Revenue collected during April compared with March under the following sub-heads amounted to:—

	April \$	March \$
Local European		
Liquor	45,459.96	55,020.60
Local Native Liquor	309,867.52	437,063.04
Imported European		
Liquor	855,786.31	955,109.78
Imported Native		
Liquor	50,120.19	67,724.17
P.M. & T.P.	277,279.04	389,289.22
Table Waters	143,370.83	65,616.11
Tobacco	3,540,451.33	4,281,059.76
Hydrocarbon oil	1,275,013.73	1,714,020.24
Licences	86,553.97	118,299.47
Totals	6,583,902.88	8,089,131.39

NOTICE

FAR EASTERN ECONOMIC REVIEW

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Hongkong's Trade in April

Total Values of Imports & Exports of Merchandise
By Countries

Countries	IMPORTS FROM		EXPORTS TO	
	April 1950	April 1949	April 1950	April 1949
	\$	\$	\$	\$
United Kingdom	35,470,412	26,351,732	17,251,461	7,830,137
Australia	6,049,889	2,235,504	2,925,544	1,813,928
Canada	3,630,298	3,743,782	841,835	319,011
Ceylon	328,870	73,202	444,981	328,665
East Africa	197,086	460,339	667,082	1,875,772
India	9,398,679	1,382,134	792,361	2,646,428
Malaya	5,647,061	4,041,502	24,554,490	11,685,650
New Zealand	—	2,250	379,837	165,854
North Borneo	674,670	750,272	699,214	438,852
Pakistan	8,381,593	60,179	1,793,720	1,740,499
South Africa	1,109,396	282,336	1,158,335	1,195,646
West Africa	—	—	413,669	680,788
West Indies	6,200	—	623,359	268,409
British Commonwealth, Other	3,969,334	1,764,046	1,244,594	752,894
Austria	760,695	51,523	80,018	—
Belgium	1,854,605	472,397	474,287	576,630
Burma	74,368	1,181,913	1,111,500	834,005
Central America	155,168	24,900	761,162	262,026
China, North	26,277,629	9,986,566	36,613,461	11,181,417
" Middle	4,765,352	3,037,130	34,395,147	2,634,707
" South	18,062,867	23,465,064	12,554,557	5,701,457
Czechoslovakia	1,110,978	127,969	48	—
Denmark	657,115	106,397	1,442,223	389,752
Egypt	72,830	17,656	256,791	303,684
Finland	284,727	17,451	—	—
France	7,046,593	1,565,407	1,105,177	564,149
French Indochina	1,677,295	1,388,121	2,981,433	972,328
Germany	2,729,160	119,722	2,904,095	1,174,287
Holland	3,328,796	1,752,993	1,650,278	718,826
Iraq	—	—	8,100	4,090
Italy	1,866,114	958,270	656,885	1,064,503
Japan	7,425,212	6,992,668	11,080,005	4,142,285
Korea, North	2,560,594	6,525,847	—	530,582
" South	2,537,010	3,973,285	2,772,078	2,652,481
Macao	7,248,930	5,128,464	18,362,479	9,553,846
Norway	3,992,591	1,261,550	633,628	2,059,421
Oman	31,000	3,768	48,830	203,237
Persia	—	—	22,070	43,966
Philippines	871,210	1,738,832	5,850,754	4,938,318
Poland	377,105	128,570	—	—
Portugal	61,901	82,187	680	—
Port. East Africa	—	16,000	96,155	250,239
South America	24,607	41,733	832,087	410,944
Spain	26,838	12,434	69,000	—
Sweden	3,073,146	1,112,057	641,595	372,057
Switzerland	4,031,849	6,043,667	70,140	49,532
Thailand	17,118,218	4,953,575	7,384,642	18,197,832
Turkey	—	—	132,706	64,714
U. S. A.	42,881,674	33,592,192	14,529,847	5,206,636
U. S. of Indonesia	6,141,713	2,767,412	13,420,390	6,226,586
U. S. S. R.	—	411,166	—	759,462
Others	3,124,870	242,675	2,007,426	1,040,153
Total	247,116,248	160,448,839	228,740,156	114,826,685
Total Br. Commonwealth	74,863,488	41,147,278	53,790,482	31,742,533
Total Foreign	172,252,760	119,301,561	174,949,674	83,084,152

Housing Activity in
Hongkong Resumed?

It is paradoxical that the pace in catching up with the housing shortage for the Chinese and European populations in Hongkong is still painfully slow, despite a fall in building costs. Today, private building enterprises calculate that unit costs for the erection of large blocks of flats are as low as \$1.90 per cubic foot (or from \$2 to \$2.25 for small buildings), as compared with \$2.50 per unit, a year ago. Contributory factors in this decline in costs are a plentiful supply of labour and lower costs of materials, other than imported soft woods. These unit costs compare favourably (despite the high expenditure attributable to the local terrain for site works), with rates ruling in Great Britain; indeed in the United Kingdom the comparable figure of construction costs are about 12½% higher.

Nevertheless ample evidence exists of the intention to build more dwellings and the annual report for 1948/9 of the Land Office of the Registrar General indicates that the value of the leases assigned in 1948/9 had risen to \$155,597,000 from the total of \$143,640,294 in 1947/8. In the case of registered mortgages these were about double in amount, as compared with the previous year, at a figure of \$115,410. The sum total of these transactions at the Land Office amounted to \$253,562,305, or \$61,116,651 more than during 1948/9 and the volume of increase for registered transactions during 1949/50 is expected to be 25% higher; it is relevant to add that the fees collected by the Land Office during the latter year are 50% higher at a total of \$220,833, as compared with the record figure for 1948/9. A further pointer to the rising tempo of domestic building work is that the average number of plans submitted monthly to the Public Works Department, as at the end of March, 1950, rose by 40%, of which the greater increase was for European type houses (i.e. a monthly increase from 38 to 51 houses). Statistics compiled by the Commissioner of Rating and Valuation show that, during the first quarter of 1950, some 187 houses and flats were finished, involving a capital outlay of the order of 16.5 million HK\$; two thirds of these dwellings were in Kowloon and the New Territories.

Scale of Housing Deficiencies

Against this background it cannot be overlooked that the confidence of contractors and private builders is still at a low ebb, relative to the size of the problem. Estimates, given with all reserve, would put the population of the Colony of Hongkong at close on 2½ million and the number of houses between 20,000 and 30,000; in most houses several families will normally be accommodated in separate units. On the assumption of a static population, which a change in the Chinese political situation might soon falsify, the high average of occupants to a building, suggests a housing shortage of

Hongkong's Trade for the first four Months

Total Values of Imports & Exports of Merchandise
By Countries.

Countries	IMPORTS FROM		EXPORTS TO	
	1st 4 months 1950	1st 4 months 1949	1st 4 months 1950	1st 4 months 1949
	\$	\$	\$	\$
United Kingdom	152,214,969	102,984,559	51,252,006	50,679,117
Australia	32,750,240	19,817,135	12,355,478	7,002,480
Canada	16,556,086	13,692,366	3,393,039	1,643,488
Ceylon	869,859	493,233	865,300	2,801,956
East Africa	1,086,299	779,245	2,236,303	5,156,452
India	92,849,250	7,309,237	4,454,753	12,898,604
Malaya	29,460,907	14,133,307	96,091,485	63,899,022
New Zealand	587,820	310,655	1,108,098	584,809
North Borneo	4,429,463	3,363,851	3,292,418	2,222,395
Pakistan	32,698,278	274,512	13,703,120	42,438,818
South Africa	5,390,233	3,184,917	2,166,720	3,673,161
West Africa	57,008	9,350	1,571,846	2,414,751
West Indies	17,379	60,390	1,872,657	2,107,674
British Commonwealth, Other	11,743,457	11,989,526	3,907,217	3,790,706
Austria	3,003,209	724,334	80,898	17,660
Belgium	13,584,115	4,157,072	1,999,545	2,999,965
Burma	378,885	9,288,283	3,733,586	2,933,897
Central America	530,177	223,999	2,001,034	1,251,186
China, North	118,383,620	41,162,813	147,037,327	39,038,344
" Middle	26,014,935	10,912,842	132,258,025	12,584,875
" South	52,787,646	107,361,335	74,108,428	35,580,027
Czechoslovakia	5,432,623	1,530,942	48	1,815
Denmark	1,693,672	836,293	3,504,951	1,738,872
Egypt	383,116	26,819	1,040,145	1,791,997
Finland	1,144,077	566,946	12,895	29,280
France	18,011,514	9,426,197	2,469,034	4,475,941
French Indochina	7,690,569	4,680,946	6,828,380	5,911,548
Germany	11,759,979	1,366,467	8,444,029	7,912,057
Holland	15,746,011	7,913,749	6,398,163	3,232,429
Iraq	10,000	—	85,961	1,061,633
Italy	8,984,772	3,389,386	2,579,484	5,032,776
Japan	19,496,109	33,121,324	41,856,146	20,320,506
Korea, North	15,460,038	19,966,260	3,998,731	23,822,710
" South	17,087,233	13,411,905	15,789,152	16,548,440
Macao	28,824,808	27,420,216	90,150,886	39,757,967
Norway	12,416,699	3,048,007	2,044,020	2,768,574
Oman	146,100	3,768	275,358	1,919,535
Persia	111,059	554,626	155,378	267,853
Philippines	3,163,192	5,248,078	14,940,942	27,297,602
Poland	2,460,832	872,491	—	—
Portugal	575,553	307,852	101,108	57,305
Port. East Africa	9,500	16,000	415,240	718,374
South America	184,362	1,265,547	5,770,282	1,577,373
Spain	211,512	136,538	69,000	179,896
Sweden	10,254,227	4,170,564	2,562,521	1,181,734
Switzerland	20,700,219	16,784,975	809,607	288,048
Thailand	51,359,739	35,842,901	25,155,538	61,376,293
Turkey	6,000	—	314,231	772,146
U. S. A.	213,105,046	144,383,695	63,227,247	42,721,391
U. S. of Indonesia	23,606,457	9,970,761	27,742,444	24,790,118
U. S. S. R.	620,800	433,316	—	759,462
Others	10,134,223	4,201,569	10,443,982	6,032,602
Total	1,096,183,876	703,121,099	896,674,186	599,165,664
Total Br. Commonwealth	380,711,248	178,402,283	198,270,440	200,413,433
Total Foreign	715,472,628	524,718,816	698,403,746	398,752,231

astronomical proportions, quite apart from the number of existing buildings requiring demolition or replacement. The available area of land suitable for long term development is relatively small, although in the New Territories there is security of tenure until the latter part of the century.

Land Acquisitions

A factor which has undoubtedly influenced the recent slow tempo in new building has been the uncertainty arising from the requisitioning of newly completed housing. Government policy is now to approve no new requisitioning. There still remains the high cost of acquiring land. In broad terms this is about 12 times as high as in the United Kingdom, as much on account of the scarcity of suitable unoccupied areas, as the abnormal local conditions ruling at present. Residential land, which has been levelled in the Kowloon area, works out at about \$8.20 per square foot, as compared with \$35 in the many low-lying sections of Hongkong Island. (There are, of course, sections in the business district of Victoria, where it ranges as high as \$250 per square foot). In the Peak area, where the cost of levelling and foundations offer special problems, the unit costs of acquisition may be as low as \$3 per square foot, but about double this figure where site works are already in existence. The Hongkong Government are well aware of the deterrent effect of these high costs and concessionary terms are, in fact, made for leases of land for housing projects.

A Question of Confidence

The brake on new building is therefore often attributable to psychological factors, of which the uncertain trend of population is certainly one. The influx of the past few years may, for instance have provided conditions, which are temporary. But, it seems scarcely credible that any considerable alleviation of the congestion on living accommodation will occur for a long time. Another recent difficulty has undoubtedly been the heavy demand for skilled labour but, to-day the unionised labour force totals 8,437 or 5.9% of the total registered labour force in the Colony; there has been a considerable dilution of unskilled labour and the man power position is now considered satisfactory. Finally it is not normally an easy matter to obtain the necessary finance for certain types of building. Private building enterprises, nevertheless, bearing in mind the more favourable prospects of the building industry as a whole have been considering the economics of building activity on a greater scale.

Economics of Constructing Flats

One calculation made with an eye to increasing activity is that at the present time all-in costs in building a block of 5 roomed flats, are estimated at a unit cost of between \$80,000 to \$100,000 per flat. A flat of this type, which is designed primarily to meet local climatic conditions could be rent-

ed at a monthly rate of between \$1,000 and \$1,500 (exclusive of rates). On the assumption of a sinking fund at 3½% over 10-15 years, the building would begin to be profitable mid-way before it passes its useful age, or indeed at the stage when the present abnormally high rents are declining. This calculation presupposes an interest return on capital of 8% to 10% and an allowance of 10% to 12½% for outgoings. A downward adjustment to the rent and therefore, of the overall cost to the occupant would, of course, be possible if the tenant made an initial contribution towards the capital cost of the building.

A Statistical Yardstick

In view of the more favourable condition as regard construction costs, the trend of building projects submitted for approval to the P.W.D. will assume an enhanced importance for those who are living in conditions of discomfort. It is clear, however, that the rate at which plans are in fact approved may be retarded for administrative and other reasons. This will, therefore not always provide a satisfactory yardstick of the pulse of building activity, owing to the number of proposals, which are altered or abandoned. The "Far Eastern Economic Review" will, however, endeavour to report periodically on the trend of proposals submitted and on such reports as are available on schemes actually started.

Hongkong's Aerated Water Industry

One of the biggest and most profitable industries in Hongkong is the aerated water industry. Judging from A. S. Watson & Co. alone, this company made a profit last year of HK\$2,734,076. New aerated water works, therefore, sprang up during recent years until the number has now increased to seven: A. S. Watson & Co., Connaught Aerated Water Co., Hongkong Bottlers, Cosmos Aerated Water Co., China Aerated Water Co., Asia Aerated Water Co. and Spa Food Products Ltd.

The daily output of these factories ranges from 15,000 to 20,000 dozen bottles. Tax on aerated water has increased to double since April last year, so that a tax of 40 cts. to every gallon or 4 cts. to every bottle has to be reckoned with.

Aerated water was first invented 180 years ago in England by a clergyman, whose method of compressing carbon dioxide into water marked the beginning of the manufacture of aerated water by use of scientific methods. It was first brought to China more than 150 years ago by the Dutch as one of the commodities for trade with this country. Hence, the popular term "Holland water".

Hongkong started manufacturing its own aerated water in 1858 when Dr. A. S. Watson bought the rights of the Hongkong Dispensary for producing soda water. After nine years Watson's built its first aerated water factory at

the present site of the King's Theatre on Queen's Road, Central, whence it was later removed to the spot where Windsor House now stands, and yet later to North Point. With the conclusion of the War and increase of the population in Kowloon, a new factory was built and completed last year in Kowloon. Watson's at present has four sets of automatic machines capable of turning out a maximum of 80,000 bottles daily.

The Connaught Aerated Water Co., a Chinese enterprise, was established in 1907 first with individual capital but was reorganized in 1927 into a limited company. With a lion as trademark, this company manufactures grape juice, orangeade, sarsaparilla, lemonade and cream, the first-mentioned being the only flavour of its kind in the Hongkong market. Daily output of the company is approximately 40,000 bottles.

The Spa Food Products Co., which originated in Africa 40 years ago, was taken over by a group of merchants in Hongkong and officially opened here last year. With the experienced aid and guidance of Maurice Lister, technical expert, and two sets of equipment—one automatic and one semi-automatic—the factory is capable of producing 20,000 bottles daily. Special among its products is mulberry while other flavours include orange, lemon, lime, etc. Lately it has introduced into the market an orange juice, which is somewhat similar to the "Green Spot" formerly produced by the Dairy Farm.

Established in 1948, the Cosmos Aerated Water Co. is a branch of the same company in Manila which has a history of 32 years. It has one set of modern automatic equipment and is capable of a daily output of 20,000 bottles.

As to the China Aerated Water Co. and Asia Aerated Water Co., these being run on a small scale the quantity produced is negligible although the products are varied.

The Hongkong Bottlers are, in fact, the Coca-Cola Corporation. The Coca-Cola agency, handled by Watson's prior to World War II, was taken over in February 1948 upon the termination of the contract, by Anker B. Henningsen. The factory is now located at the old premises of the Taikoo Refinery, North Point, and is capable of producing 60,000 bottles daily.

Operation of the aerated water industry requires heavy capital as lack of adequate and modern equipment would be a setback in view of the keen competition on the market. However, any sign of prosperity during these years is but superficial and not lasting.

Financial Settlement In Hong Kong

A settlement of financial matters outstanding at 31st March, 1950, between His Majesty's Government and the Government of Hong Kong has been

been reached on a general balancing of reached in London. Agreement has a number of financial issues which arise out of the war. Among the more important of these His Majesty's Government will stand behind the Government of Hong Kong in respect of those claims for compensation, of a type which His Majesty's Government would accept in principle were they against itself, which may bear upon the Hong Kong Government under the Defence (Compensation) Regulations for ships requisitioned under the Hong Kong Defence Plan in 1941. An appropriate sum has been credited to the Government of Hong Kong in this settlement.

The Hong Kong Government will discharge claims by private manufacturing firms in respect of goods supplied through the Hong Kong War Supplies Board to the Governments of India and Burma in 1941 in cases where it can be definitely established that these goods were actually shipped or delivered into godowns for shipment. In this connection His Majesty's Government, pending a settlement of the matter with India, has credited the Government of Hong Kong with an appropriate sum in this settlement.

After setting off these and other miscellaneous claims and counter claims, the balance due to the Government of Hong Kong was determined at £998,000. It was agreed that this sum should not be claimed by the Hong Kong Government but should be treated as representing Hong Kong's contribution towards the cost of the garrison up to the 31st March, 1950, and a final settlement by the Hong Kong Government in respect of certain stores supplied by H.M. Government.

The Hong Kong Government has agreed as a contribution towards the cost of the garrison for the financial year 1950/51 to make a payment to His Majesty's Government of £1,000,000 sterling in addition to bearing the cost of certain works already provided for in the Estimates.

Hongkong's Trade for the first four Months

Total Values of Imports & Exports
By Chapters

Articles	IMPORTS		EXPORTS	
	1st 4 months 1950	1st 4 months 1949	1st 4 months 1950	1st 4 months 1949

Live animals, chiefly for food 15,162,633 14,627,421 58,560 8,560

Meat and preparations thereof 6,494,487 4,860,174 2,805,029 3,349,566

Dairy products, eggs and honey 20,088,499 18,871,525 11,709,054 10,900,562

Fishery products, for food 23,254,063 18,929,584 14,342,654 7,128,294

Cereals 30,982,624 34,221,440 10,665,332 811,766

Manufactured products of cereals, chiefly for human food 32,358,463 15,122,666 28,417,027 8,806,315

Fruits and nuts, except oil-nuts 20,229,900 10,986,116 13,243,983 7,276,514

Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. 25,390,109 16,787,931 28,752,548 16,228,714

Sugar and sugar confectionery 15,732,285 6,068,373 15,620,338 3,607,629

Coffee, tea, cocoa and preparations thereof, spices 13,046,098 6,262,948 14,929,032 4,899,758

Beverages and vinegars 10,562,816 4,303,223 4,691,141 2,775,828

Feeding stuffs for animals, n.e.s. 25,567,948 3,486,211 15,313,447 2,323,652

Tobacco 20,844,980 14,018,025 11,969,518 6,460,930

Oil-seeds, nuts & kernels 25,196,190 8,499,580 16,629,444 9,718,886

Animal and vegetable oils, fats, greases and waxes and their manufactures, n.e.s. 47,025,557 36,932,186 37,300,549 49,153,833

Chemical elements and compounds; pharmaceutical products 64,389,952 37,301,663 40,345,849 22,646,177

Dyeing, tanning & colouring substances (not including crude materials) 34,390,156 18,970,405 19,282,956 17,769,524

Essential oils, perfumery, cosmetics, soaps and related products 8,658,165 6,209,756 6,166,292 3,053,001

Fertilizers 17,897,831 788,246 20,591,562 2,567,402

Rubber and manufactures thereof, n.e.s. 10,680,568 10,102,958 12,431,021 10,291,823

Wood, cork and manufactures thereof 21,421,049 14,458,810 4,029,518 2,730,833

Pulp, paper & cardboard & manufactures thereof 43,659,773 21,255,918 35,781,253 24,953,483

Hongkong's Trade in April

Total Values of Imports & Exports
By Chapters

Articles	IMPORTS		EXPORTS	
	April 1950	April 1949	April 1950	April 1949

Live animals, chiefly for food 4,616,563	2,242,320	5,700	—
Meat and preparations thereof 1,393,270	176,919	406,639	157,180
Dairy products, eggs and honey 4,754,788	4,579,460	2,132,032	1,953,528
Fishery products, for food 4,686,858	5,098,393	3,374,725	1,327,872
Cereals 11,703,296	4,485,723	3,856,628	235,973
Manufactured products of cereals, chiefly for human food 3,930,827	2,821,253	9,552,909	1,921,892
Fruits and nuts, except oil nuts 3,772,318	2,289,108	2,523,598	910,257
Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. 7,763,717	4,170,904	8,882,688	2,927,311
Sugar and sugar confectionery 4,013,169	1,232,284	2,628,295	1,021,667
Coffee, tea, cocoa and preparations thereof, spices 3,117,405	1,445,160	3,684,657	955,137
Beverages and vinegars 2,983,462	1,042,928	1,193,760	532,620
Feeding stuffs for animals, n.e.s. 2,379,443	1,680,066	4,234,547	352,348
Tobacco 4,258,933	1,720,602	2,299,645	1,270,620
Oil-seeds, nuts & kernels 3,609,365	3,527,310	3,194,453	4,557,542
Animal and vegetable oils, fats, greases and waxes and their manufactures, n.e.s. 17,178,044	6,652,413	14,848,916	5,508,545
Chemical elements and compounds; pharmaceutical products 12,639,290	7,219,658	9,132,466	4,599,123
Dyeing, tanning & colouring substances (not including crude materials) 7,615,297	3,899,280	2,662,879	3,072,254
Essential oils, perfumery, cosmetics, soaps and related products 2,344,665	1,487,707	1,539,874	507,273
Fertilizers 3,653,750	7,500	5,578,074	297,240
Rubber and manufactures thereof, n.e.s. 2,834,726	2,936,917	3,299,409	1,540,232
Wood, cork and manufactures thereof 5,364,349	3,625,147	1,208,662	478,249
Pulp, paper & cardboard & manufactures thereof 10,865,480	7,364,080	8,831,710	4,023,521

Hides & skins & leather Manufactures of leather, not including articles of clothing	8,049,494	7,432,968	5,504,693	4,756,407	Hides & skins & leather Manufactures of leather, not including articles of clothing	2,386,715	1,736,097	1,470,670	1,032,675
Furs, not made up	392,335	184,694	1,504,339	1,599,303	Furs, not made up	108,468	41,641	453,751	332,771
Textile materials, raw or simply prepared	964,139	1,609,910	1,547,979	1,495,763	Textile materials, raw or simply prepared	152,180	626,780	375,322	382,419
Yarns and threads	72,264,547	14,784,712	64,784,137	22,059,554	Yarns and threads	17,578,951	4,320,432	17,785,835	2,508,087
Textile fabrics and small wares	59,331,197	28,786,424	58,700,676	41,135,881	Textile fabrics and small wares	6,304,836	7,861,432	16,043,494	6,546,856
Special and technical tex- tile articles	82,830,296	62,634,872	55,178,901	66,602,111	Special and technical tex- tile articles	18,829,432	14,700,985	14,168,732	11,607,321
Clothing & underwear of textile materials; hats of all materials	3,666,981	2,337,351	3,298,661	1,765,702	Clothing & underwear of textile materials; hats of all materials	1,141,426	984,838	1,226,212	346,201
Clothing of leather & fur Footwear: boots, shoes & slippers	8,910,459	6,056,064	38,393,387	24,358,028	Clothing of leather & fur Footwear: boots, shoes & slippers	2,123,304	1,333,347	11,839,443	6,074,116
Made-up articles of tex- tile materials other than clothing	49,422	22,374	6,932	5,150	Made-up articles of tex- tile materials other than clothing	—	5,729	—	4,800
Products for heating, light- ing & power, lubricants & related products, n.e.s.	733,806	460,516	15,663,825	8,117,255	Products for heating, light- ing & power, lubricants & related products, n.e.s.	236,535	120,010	4,033,986	4,014,174
Non-metallic minerals, crude or simply pre- pared, n.e.s.	30,999,418	7,738,954	43,582,349	15,835,894	Non-metallic minerals, crude or simply pre- pared, n.e.s.	1,915,522	1,587,507	8,204,361	3,408,381
Pottery and other clay products	53,760,729	39,325,836	41,691,041	22,257,946	Pottery and other clay products	13,658,148	5,138,875	10,139,604	6,798,026
Glass and glassware	8,572,254	7,212,386	2,967,795	2,240,192	Glass and glassware	1,296,414	1,415,857	567,903	532,766
Manufactures of non-me- talic minerals, n.e.s. .	4,273,089	3,987,096	2,836,638	2,693,670	Manufactures of non-me- talic minerals, n.e.s. .	1,657,050	1,074,341	600,789	575,112
Precious metals & precious stones, pearls & articles made of these materials	2,217,452	2,998,290	2,715,996	3,467,320	Precious metals & precious stones, pearls & articles made of these materials	692,750	662,550	596,336	933,212
Ores, slag, cinder	1,548,812	1,515,949	468,321	712,601	Ores, slag, cinder	446,532	258,294	67,268	121,465
Iron and steel	5,881,209	4,499,724	976,350	1,483,920	Iron and steel	1,783,101	942,324	171,113	186,119
Non-ferrous base metals .	859,922	12,078,651	5,492,469	8,331,282	Non-ferrous base metals .	7,785	959,948	1,981,637	1,275,308
Manufactures of base metals, n.e.s.	40,664,111	20,854,800	17,082,750	10,385,006	Manufactures of base metals, n.e.s.	9,249,565	5,337,287	3,707,465	2,429,038
Machinery, apparatus and appliances other than electrical, n.e.s.	12,950,305	14,626,920	8,894,434	11,080,558	Machinery, apparatus and appliances other than electrical, n.e.s.	2,592,805	2,364,929	1,450,237	1,336,110
Electrical machinery, ap- paratus & appliances ..	20,351,943	19,911,377	30,338,726	39,241,371	Electrical machinery, ap- paratus & appliances ..	5,106,004	4,620,513	7,734,459	8,893,823
Vehicles and transport equipment, n.e.s.	23,646,066	18,724,449	12,434,748	3,875,372	Vehicles and transport equipment, n.e.s.	6,723,327	3,786,903	2,475,507	744,430
Miscellaneous crude or simply prepared pro- ducts, n.e.s.	21,426,545	13,034,876	9,651,592	6,622,722	Miscellaneous crude or simply prepared pro- ducts, n.e.s.	5,383,769	3,111,344	2,944,353	1,248,908
Manufactured articles, n.e.s.	17,821,916	11,474,143	11,304,351	8,401,940	Manufactured articles, n.e.s.	4,702,186	3,903,267	2,602,535	1,690,908
Total Merchandise	36,750,337	34,336,837	54,135,684	38,033,769	Total Merchandise	6,153,377	10,502,733	11,973,756	7,826,149
Gold and Specie	44,232,946	43,425,757	44,460,805	35,144,897	Gold and Specie	11,207,051	13,345,744	11,053,122	5,827,126
Grand Total	1,096,183,876	703,121,099	896,674,186	599,165,664	Grand Total	247,116,248	160,448,839	228,740,156	114,826,685
	8,625,331	623,514	18,436,043	3,903,699		4,279,917	140,495	4,645,321	677,066
	1,104,809,207	703,744,613	915,110,229	603,069,363		251,396,165	160,589,334	233,385,477	115,503,751

ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann, (Los Angeles)
(Special to the Far Eastern Economic Review)

Strikes

During the past year America has never been without one or more simultaneous strike movements. Hardly has the 100-days walkout at Chryslers ended, when a serious railroad strike was initiated. It was thought that railroad walkouts could not last, for these affect the pulse of the nation directly; yet, after one week's duration no common basis for a settlement had been discovered. After seven days the strike was called off and the problem placed before an arbitration board.

As hinted in a previous report, another gigantic strike threatens General Motors, whose agreement with the workers expires end of May. The labour leader Walter Reuther stated openly that it was his aim to force monthly pensions of \$200. While recognizing that this could not be done right away, he wants to begin G. M. negotiations with a demand of \$125 a

month pension, raising this sum gradually during the coming decade to \$200.

It might not be amiss to give a few details in connection with the recent railway strike of the locomotive firemen, which—from the outset—affected four key systems that carry over one-third of the country's passengers and one-fifth of its rail freight. It is obvious that connecting rail lines are becoming affected almost immediately; and naturally also important industries, like coal and steel, whose output cannot in numerous cases be transported to destination.

This time it was not a demand for a hike in pay. What is asked for by the men is an extra fireman on multiple Diesel engines and on small switch Diesels presently operated by a single engineer. The original number of strikers aggregated 18,000 only. However, it is clear that soon these would have caused enforced idleness on 100,000 and more other railroad workers

and men in the coal, metals and other large industries. Not only the carrier companies, but also two Presidential fact-finding boards found that a second fireman on each locomotive is unnecessary.

Earning Data of Aircraft Manufacturers
The wellknown Securities firm Carl M. Loeb Rhoades & Co. of New York publishes to its clients the following table as of end of April:

Synthetic Textiles

The American Textile trade was not flourishing during the past two years. Even now the soft goods business is lagging behind. On the other hand, synthetic textiles are making progress and promise to constitute a rapidly growing branch of this country's industrial life. "United Business Service" (Boston), in one of its weekly reports, deals with this phase in a very lucid and instructive manner.

Ten years ago American women were buying their first nylon stockings. If we exclude rayon, it will be found that five million pounds of synthetic textiles were sold in 1940; five years later the quantity rose to 52 million pounds; by 1949 it had reached 91 million pounds. However, the lastmentioned volume represented merely 1.7% of the United States total textile consumption. Aside from nylon, according to United Business Service, the new textile fibres comprise the following categories:

		Manufacturers	
Type of fibre	Acrylonitrile	Chemstrand, du Pont, General Electric, Union Carbide.	
Cellulosic	Glass	Celanese	
		Glass Fibres, Owens-Corning Fibreglass.	
Polyethylene		Americ. Viscose, du Pont, Reeves Bros., Union Carbide.	
Protein		Bristol-Myers, Drackett, Glidden, Va-Carolina Chem.	
Terylene		du Pont.	
Vinyl		Americ. Viscose, Dow Chemical, B.F. Goodrich, Johnson & Johnson, Union Carbide.	

In the same manner as nylon has superseded silk for hosiery, the new synthetic fibres will supplant wool and

	Current Price	Year Ended	Latest Backlog (c) at	1949 Sales	Per Share		Net Earnings	
					1948	1949	1st Quarter* 1949	1950
(000,000 omitted)								
Boeing	30½	Dec.	366	3/31	\$286	\$1.58	\$4.07	\$0.53
Consol. Vultee	15	Nov.	207	11/30	196	5.16d	1.60	0.42
Curtiss Wright	9	Dec.	132	3/31	129	0.46	0.12	0.17d
Douglas	79	Nov.	270	3/31	117	9.71	9.19	3.34
Grumman	27	Dec.	208	3/31	60	2.39	3.19	1.46a
Lockheed	29½	Dec.	230	12/31	118	5.80	5.10	2.08a
Martin	16	Dec.	92	3/31	52	14.73d	4.52	0.35
McDonnell	30	June	84	9/27	33	7.24	7.47	n.a.
North American	14½	Sept.	283	3/31	124	1.97	2.12	0.88a
Northrop	10	July	54	1/31	28	1.16	8.52d	0.25
Republic	9	Dec.	47	3/31	48	2.19	0.87	0.25
United Aircraft	30	Dec.	310	12/31	227	3.05	3.31	0.33

* Of fiscal year ending in year stated.

a First half of fiscal year.

b Exclusive of 95 cts. added by nonrecurring accounting adjustment.

c Most of recently reported military orders have been included in figures shown here, except: Consolidated Vultee \$138 million and Northrop \$40-\$50 million.

d Deficit.

f For six months 1/31/50 net was \$1.98. n.a. Not available.

cotton, and even rayon in many markets. In fact, rayon is taking the tire business away from cotton. Apart from affording price stability and uniform quality, each of the new synthetics offers a different combination of characteristics which make it ideal for specific uses.

Celanese is the prime factor in acetate rayon, having made exceptional progress in developing new forms of cellulosic textiles. Its "Fortisan" (a saponified cellulose acetate fibre) is outstanding by its great strength. Though the yarn is expensive, it is swiftly expanding its markets. The Celcos yarn (a viscose-surfaced filament with an acetate rayon core) shows much promise in outdoor fabrics, competitive with wool. Celanese also has a new silk-like fibre in the pilot plant stage.

As is known, du Pont heads the list of all synthetic fibre producers. Not only does it turn out nylon, but its later product, orlon, is still more successful. Orlon output by the end of 1950 will be only 6,500,000 pounds; it is expensive, costing \$3.24 a pound. Yet it is said to be the best of all textiles for outdoor wear and to match the qualities of wool better than any other synthetic. Though still in its early testing stages terylene made by du Pont also has considerable merit.

Union Carbide is prominent in the field of vinyl and polyethylene plastics, which fact has paved its road toward textiles. The company hit the jackpot with the invention of an acrylonitrile fibre which in filament form is known as Vinyon N, and in staple form is styled Dynel. On this I reported in the columns of the *Far Eastern Economic Review* about six months ago. Two manufacturing plants for Dynel will be in operation this summer. Reception of the product has been excellent. It is an admirable substitute

for wool in apparel and has wide industrial applications for screening, for bags, filter cloth, etc. Its future prospects are distinctly bright.

Personal Incomes

As a clear symptom of prevailing prosperity in the United States the following authentic list speaks for itself. It indicates the salary for 1949 paid by some of the larger concerns to their executives or directors and, in many cases also bonuses or contributions toward a pension fund. However, averagely salaries represent from 80 to 90% of the figures indicated here.

Not infrequently it occurs that the one or the other stockholder proposes at annual meetings resolutions aiming at a reduction of directors' fees, especially whenever results do not compare favourably with parallel previous terms. Invariably directors' answers are negative; they point out that if capable men are wanted at the helm of the ship, they must be remunerated correspondingly.

The bulk of my citations and figures comes from balance sheets which I have before me. Being a shareholder in numerous of those industrial enterprises, I certainly do not grudge the directors' high fees, for in spite of these financial results, speaking generally, are excellent. They are a documentation of the prosperity which prevails in America.

Apart from the general interest which such an authentic list evokes, it might act as an incentive to Hongkong Taipans who are notoriously underpaid and who deserve better remuneration than they are getting.

In parenthesis it might be added here that not all is gold that glitters, for the tax collector promptly is after those American company directors and claims Federal taxes ranging from 50 to 75% of the totals.

L. F. McColum (Continental Oil Co.)	\$ 125,000
H. F. Sinclair (Sinclair Oil Co.)	192,000
P. C. Spencer	113,000
Spyros P. Skouras (20th Century Fox)	288,000
Darryl F. Zanuck	280,000
W. C. Michel	134,000
Murray Silverstone	146,000
J. F. Drake (Gulf Oil Corp.)	450,000
S. A. Svensrud	278,000
H. A. Gidney	193,000
J. E. Nelson	202,000
D. Proctor	163,000
E. C. Bothwell	157,000
T. W. Balfe (Nat. Distillers Products)	177,000
S. Porter	324,000
E. Stainton	119,000
F. M. Folsom (R.C.A.)	211,000
C. B. Jolliffe	102,000
D. Sarnoff	291,000
N. Trammell	157,000
J. G. Wilson	179,000
T. M. Girdler (Republic Steel)	325,000
N. J. Clarke	127,000
W. W. Hancock	148,000
T. F. Patton	135,000
E. M. Richards	163,000
J. M. Schlendorf	173,000
C. M. White	364,000
W. D. Robinson (Briggs Mfg., Co.)	164,000
E. E. Lundberg	110,000
J. F. Abbott (American Sugar Ref.)	120,000
L. S. Hobbs (United Aircraft)	123,000
H. M. Horner	163,000
F. B. Rentschler	163,000
E. M. Vorhees (U.S. Steel)	170,000
B. F. Fairless	220,000
N. L. Miller	110,000
T. E. Mueller (American Radiator and S.S. Co.)	117,000
C. B. Hook (Armco)	182,000
W. W. Sebald	165,000
F. Stanton (Columbia Broadcasting)	135,000
W. J. Hobbs (Coco-Cola)	141,000
W. S. Mack (Pepsi Cola)	120,000
G. T. Christopher (Packard Motor Car)	109,000
A. E. Barit (Hudson Motor Co.)	138,000
F. J. Emmerich (Allied Chemical & Dye Co.)	125,000
G. Metzman (N.Y. Central Railroad)	113,000
H. E. Smith (U.S. Rubber Co.)	171,000
T. E. Morgan (Sperry Corp.)	127,000
S. S. Neuman (Publisher Industries)	125,000
T. G. Montague (Borden Co.)	133,000
J. H. Hinman (Internat. Paper Co.)	150,000
S. Behn (I.T. & T. Co.)	127,000
E. G. Grace (Bethlehem Steel)	334,000
A. B. Homer	273,000
V. Riggio (American Tobacco Co.)	461,000
R. J. Boylan	254,000
P. L. Fowler	254,000
C. W. Deyo (F.W. Woolworth Co.)	200,000
A. L. CConnell	225,000

Economic Letter from Washington

U.S. Trade With Far East

Summarizing U.S. trade with the Far East—covering Southern and Eastern Asia and Oceania—in 1949 and comparing it with previous years, the U.S. Commerce Department reported that 1949 imports from the Far East to the

This is by no means a complete list of directors' salaries and bonuses. It merely serves here as clear testimony that American industry is flourishing. If tacit proof for this assertion is still needed, I should like to refer to the first-quarter results attained by General Motors. These are net \$212,387,000, the largest in the company's history. Per share it signifies \$4.76, compared with \$3.04 for the like period of 1949. Sales during the past three months netted \$1,642,659,000. The country's steel industry is working at 100½% of capacity.

Oil

For the past 18 months oil prices and demand were on the downtrend. Apparently conditions are improving now. The Economic Committee of the Independent Petroleum Industry in America estimates that the oil industry is expected to meet a domestic and export demand of 349,000 barrels a day more than a year ago. This means that well-owners will have to produce 6,468,000 barrels daily, i.e. 5.7% higher than last year, though exports are expected to decline 22½%. America's petroleum industry had a total of 253,000,000 barrels of crude oil and 350,000,000 barrels of refined going into 1950. It is estimated that by next January there would be a reduction in total stocks to the extent of 17,000,000 barrels. During the first three months of this year stocks of crude oil and products were reduced by 51,000,000 barrels.

U.S. amounted to \$1,196,000,000. This compares with \$1,340,500,000 in 1948, \$1,103,000,000 in 1947, and the 1936-38 average of \$757,500,000.

Half the decline from 1948 to 1949 was accounted for by smaller imports of crude rubber from British Malaya. Other pronounced declines were shown by jute products from India, coconut products from the Philippines, wool from Australia, and tung oil from China.

Imports from Indonesia and Japan showed significant increases in 1949. The commodities showing increases were crude rubber, tea, palm oil, and tin ore from Indonesia, and steel scrap, glass, and clay products, and other manufactured articles from Japan.

U.S. exports to the Far Eastern regions decreased from \$2,346,000,000 in 1947 to \$1,924,000,000 in 1948, and stood at \$1,942,000,000 in 1949. Shipments to Hongkong, Indonesia, Japan, Pakistan, Siam, Taiwan, Australia, and New Zealand increased substantially. Gain in exports to these countries were, however, largely offset by a very large decrease of shipments to China and moderate decreases in shipments to India, Malaya, and the Philippines.

Among commodity shipments, foodstuffs totalled \$427,000,000 of which wheat and flour comprised \$227,000,000; machinery exports amounted to \$284,000,000; chemicals and related products, \$185,000,000; textile manufactures \$181,000,000; unmanufactured cotton, \$145,000,000; iron and steel-mill products \$91,000,000 and automobiles, including parts, accessories and service equipment \$88,000,000.

Exports of foodstuffs, textile manufactures, and petroleum and products showed decreases in both 1948 and 1949, whereas machinery, iron and steel, raw cotton, and chemicals and related products, after dropping in 1948, increased in 1949.

Dollar Gap

The "dollar gap" in all U.S. international trade, representing the imbalance between U.S. exports and imports, was narrowed by more than \$1,000,000,000 during the first quarter of this year, as compared with the corresponding period of 1949. In the first quarter of 1950, the trade gap was \$499,800,000, or less than a third of the \$1,535,400,000 gap for the corresponding period of 1949. Although the chief factor in reducing the gap was the 28.4 per cent decline in the dollar volume of U.S. exports, rising U.S. imports have contributed importantly to the more favorable trade situation. They rose 5.4 per cent during the first quarter of this year. March imports alone, however, were 20 per cent higher than the 1949 monthly average and suggest further gains to come.

The drop in dollar volume of U.S. exports is greater than the drop in physical volume due to lower export prices. In 1949 U.S. export prices declined 8 per cent from the preceding year's average while import prices dropped only 5 per cent. The downward trend in export prices continued in the first quarter of this year, according to trade experts.

Exports and U.S. Economy

One reason for declining U.S. exports is that other countries, particularly those which suffered war destruction, have revived production and are once again shipping out large quantities of goods. The U.S. share of goods entering international trade continues to be a large share, but it is proportionately smaller than in the immediate postwar years.

The American economy appears to have taken this export decline in its stride. It is now enjoying an output of goods and services which is close to the postwar peak level. The rise in U.S. domestic consumer expenditures and private domestic investment has more than offset the export decline.

Devaluation Closing U.S. Export Gap

An assessment of the extent to which the gap between the excess of U.S. exports over imports has been narrowed during the half-year period, succeeding the devaluation of currencies, is contained in a recent survey by the National City Bank of New York. This states that "Enough time has now passed since the widespread currency revaluations of last September to see some concrete results. Since then American exporters have faced more effective price competition abroad and have had to give up some ground to foreign producers. Foreign goods, offered in larger quantities and more attractively priced, have had a good reception in American markets. Our excess of exports over imports has narrowed, so much indeed as to alter the proportions of the "dollar gap" foreseen last fall for 1950. The \$5 billion a year rate at which dollars have been supplied to the world by U.S. Government foreign aid and loan programs is more than enough to cover the gap, and foreign currency reserves have increased.

In the case of the United Kingdom and associated sterling area countries, the recovery in reserves has been accomplished in considerable measure by reduced quotas on dollar imports. Some other countries, with improved reserves, are allowing a freer access on the part of their citizens to American goods. Colombia, Brazil and Argentina, among other Latin-American countries, have taken the occasion to pay down at least part of their accumulations of dollar debt.

Progress in the narrowing of the American export surplus is brought out in the accompanying chart showing the movement of U.S. exports and imports by quarters since 1946, the figures being expressed at annual rates. The export surplus at its peak, in the summer of 1947, was at a rate of almost \$11 billion with exports running at an unprecedented level of \$17 billion a year. During 1948 our exports declined, and imports rose, narrowing the export surplus to \$5 billion a year. This rate,

achieved in the third quarter, seemed incompressible until the devaluations had been accomplished, a year later. In the final quarter of 1949 the export surplus was pinched off from both sides — lower exports and larger imports — and reduced to a rate of \$3½ billion a year. In January, not shown on the chart, exports declined further. With a sustained volume of imports the gap narrowed still more.

It would be a mistake, of course, to overlook other elements besides the currency devaluations having their impact on the trade balance. Industrial recovery and better crops in Europe had contributed heavily to the narrowing of the trade gap in 1948. The business dip here, with price declines, cut down our imports of industrial raw materials in the spring and summer of 1949 and fears of devaluation had a retarding effect on imports in the third quarter. Efforts of foreign countries to check monetary and credit inflation have become effective in various countries at various times. Direct restrictions on imports from the dollar area, imposed to protect currency reserves, have been in force throughout the postwar years. While Canada and some other countries are loosening up on import restrictions, the 25 per cent cut in dollar area purchases, imposed by Great Britain and associated sterling area countries last summer, is still in effect. In the last quarter of 1949, one of our best customers, the Philippines, imposed new and drastic import and exchange regulations in an effort to bring their international payments into better balance.

Trade Surplus with Dollar aided Countries

As indicated in the following table, which covers the four months, October, 1949 through January, 1950, our trade surplus in the post-devaluation period is practically limited to the areas benefitting from various U.S. Government grant and loan programs (European Recovery Program, Army relief, special

payments to the Philippines, etc.). The countries outside of these areas have generally balanced their trade with us, or are earning more dollars than they are spending here. This is especially true of our transactions with Latin America, which, as a whole, is earning a small dollar surplus in direct trade with the United States for the first time since the end of the war. Latin America, and Canada as well, are also indirect beneficiaries of dollars channelled under government programs to Europe and the Far East.

Total U.S. exports in the October through January period at a rate of roughly \$10 billion per annum — were 20 per cent lower than in the corresponding period a year earlier. Imports — at \$7 billion a year — were within 5 per cent of the year-earlier level which was about the peak of the post-war period.

Flow in Commodities

Most commodity categories shared in the export decline, though the greatest drop continued to be shown by those groups which had experienced the greatest expansion over prewar. Cotton and tobacco exports increased, but exports of foodstuffs were substantially lower. Coal, petroleum, steel, textiles, automobiles and machinery exports all showed declines. With Europe's production running 20 to 25 per cent higher than before the war, with Japan's comeback, and with currency readjustments restoring the capacity of foreign producers to export at competitive prices, the froth is definitely off the postwar export boom. A question which only time can answer is whether the \$10 billion current level — a very high one by any prewar standard — can be maintained.

On imports, the figures were running ahead of a year ago for coffee and wool, where higher prices rule, and also for tin, hides and skins, and pulp. Rubber, cocoa, copper, and zinc imports were larger in physical volume but smaller in dollar value because of lower prices. Our position as net importers of petroleum products seems now to be established, a result of discriminations against "dollar oil" abroad and the expansion of refinery facilities as well as of crude production abroad.

Recovery in Currency Reserves

That the decided narrowing of the export trade balance in the final quarter of 1949 was no "flash-in-the-pan" development is confirmed by the trade figures for January, cited earlier, and indirectly by a continuing recovery in overseas reserves of gold and dollars in the first quarter of 1950. According to an estimate published in the March Federal Reserve Bulletin, the recovery in gold reserves overseas amounted to \$289 million in the last quarter of 1949. From the movement of the U.S. gold stock, and with an allowance for new gold production, another increase of around the same magnitude is indicated for foreign gold reserves in the first quarter of 1950.

United States Foreign Trade by Major Areas
(In Millions of Dollars)

	Four Post-Devaluation Months (Oct. 1949 through Jan. 1950)			Correspond. Period of Previous Yr. (Oct. 1948 through Jan. 1949)		
	Exports	Imports	Balance	Exports	Imports	Balance
United Kingdom	182	81	+101	210	101	+ 109
Other ERP Europe* ..	937	227	+710	1,166	257	+ 909
Far East†	313	127	+186	342	142	+ 200
Total	1,432	435	+997	1,718	500	+1,218
Canada	567	560	+ 7	658	583	+ 75
Latin America	809	835	— 26	1,058	781	+ 277
Sterling Area (except U.K.)	289	318	— 29	460	333	+ 127
All other countries ..	276	233	+ 43	316	261	+ 55
Total	1,941	1,946	— 5	2,492	1,958	+ 534
Grand Total	3,373	2,381	+992	4,210	2,458	+1,752

*Including Turkey. †Japan, Korea, China, Formosa, Manchuria, and the Philippines.

Southeast Asia Economic Aid by America

The United States is working on the details of a Southeast Asia economic aid program along lines proposed by a U.S. mission which visited Indo-China, Indonesia, Burma, Thailand and Malaya to survey needs in these areas. Acting U.S. Secretary of State James E. Webb said that the Southeast Asia aid will be carried out by the U.S. Economic Cooperation Administration, headed by Paul G. Hoffman, in conjunction with the State Department.

In announcing the Southeast Asian economic aid plan, Webb said that no specific dollar allocation will be made for each of the Southeast Asia areas. An earlier estimate from an informed source was that \$64,000,000 might be expended in a 15-month period. The estimate was made following receipt of the report and recommendations of the Southeast Asia survey mission, headed by R. Allen Griffin, California news-

paper publisher who was deputy chief of the ECA mission to China until last summer.

The Acting Secretary said that financing of Southeast Asia aid is planned from the unexpended balance of U.S. aid funds already authorized for the general area of China. The money would come from a \$100,000,000 ECA appropriation for the China area, requiring extension by Congress to make it available after June 30 this year.

Full text of Webb's statement on Southeast Asia:—

The administration of economic aid to the countries of Southeast Asia will be carried out by ECA in conjunction with the Department of State. The recommendations of the Griffin mission which were made after an on-the-spot survey and considerable consultation with Asian governments will not be released, although generally approved by the government, because they are still in the process of review, and negotiations with the governments concerned are being carried on. Southeast Asia is rich in natural resources but lacks certain commodities and technical facilities as a result of the war's attrition and resulting dislocations. Our aim is to

help the democratic governments in these countries to overcome these temporary handicaps.

The purpose of the Griffin mission was to survey the needs for immediate economic aid and technical assistance which could best be used to achieve optimum results in easing social and economic stresses accentuated by the war and resulting dislocations in Southeast Asia. Mr. Griffin was not concerned with spending a sum of money for each country, but rather in drawing up a program in consultation with local governments which could meet their most critical economic and technical assistance needs. There will be no packaged dollar allocation to each country of the area but appropriation will be made according to the needs of each country and possibilities afforded by local conditions to put this aid to immediate and effective use. In drawing up this aid program, financing was contemplated from the unexpended balance of China aid fund. It is not possible to generalize on aid to the area as a whole, as recommendations for each area were different. However, agricultural aid, health improvement and transportation facilities keyed to food supply and economic rehabilitation were general to all of Southeast Asia.

Significantly, the gold acquired by foreign governments and central banks from the U.S. gold stock has not been, overall, at the expense of the dollar balances they carry here. Foreign deposits with the Federal Reserve Banks, indeed, are now \$350 million higher than they were at the time of the September currency devaluations. And indications are that foreign holdings of short term dollar investments, forming part of their currency reserves have also increased. The aggregate recovery in foreign gold and dollar reserves, in the six months following the devaluations runs to a billion dollars. Among countries known to have acquired substantial amounts of gold since September are the United Kingdom, the Netherlands, Venezuela, Argentina, Thailand & Egypt, Switzerland, Belgium, Italy & Cuba held noteworthy gains in their reserves that they had accomplished earlier in 1949 & 1948. The Philippines, which did not devalue, on the other hand faced an accelerated drain on their reserves during the final quarter of 1949, until import & export controls were imposed. Some members of the Sterling group presumably have contributed to the U.K.'s recovery in reserves, while other countries loosely linked to sterling—such as Sweden & Egypt—have directly acquired gold and dollar as backing for their currencies.

Dollars contribute to Reserves

The National City Bank's report, accordingly concludes that "the turnaround in currency reserves following devaluation could not have been accomplished without the supplies of dollars made available by the United States Government—under E.R.P. and other grant and Loan Programs." But, the conclusion is a natural one that U.S. aid can now safely be reduced. The weight of the aid program on our unbalanced budget calls for the earliest possible lifting of the load. Certainly the deficit (i.e. on the U.S. Government budget) is a bad example to foreign countries struggling with top heavy government establishments."

The Signing of the Soviet-Chinese Treaty

This is an unsigned article which was published in "BORBA" a daily published in Belgrade, on 25th February 1950.

Appearing as it does, in an organ of a controlled press, the article may be taken as representing the official view of the Yugoslav Government, namely that Mao Tse-tung's China is being exposed to the same sort of Soviet Imperialism as that against which Tito has revolted.

In the article, the 1945 treaty with Chiang Kai-shek is compared with the 1950 one. Manchuria is discussed, and it is pointed out that it cannot be called magnanimous when one Socialist country returns to a people that which belongs to them.

The February 16th issue of the Moscow "Pravda" carried an editorial in connection with the treaty which was signed while the Chinese delegation was in the U.S.S.R. "The decisive victory of the Chinese people," states the editorial, "was made possible through the destruction of German fascism and Japanese imperialism, and was materialised through the decisive role of the Soviet Union, which is led by the great Stalin."

This is the basic theme in the propaganda of the Soviet and other Communist press. How inaccurate is this Soviet evaluation—which actually decreases the role and significance of the revolution and the victory of the Chinese people—is shown to us by the attitude of the Soviet leadership toward the Chinese revolution in the past until it came into power.

We will only mention a few details of Soviet-Chinese relations in the second World War, and which no one in the U.S.S.R. has ever denied.

On September 19th, 1944, Molotov spoke about China with Ambassador Harriman, Donald Nelson and General Hurley. In April 1945, Stalin and Molotov spoke with General Hurley

about the same thing—determining the joint policy in China. The opinion of the Soviet leadership basically was as follows:—there are some in China who call themselves Communists, but have no connection with Communism, and are not real Communists; the Soviet Union does not support the C.P. of China; the U.S.S.R. is very interested in what is happening in Sinkiang and in China in general; Chiang Kai-shek is a "true patriot"; the U.S.S.R. approves the policy of supporting a nationalist government, a policy which was suggested by Roosevelt and which was approved by Churchill and Eden.

It is not for us to judge whether this Soviet attitude was or was not justified. We can only say that the treaty between the U.S.S.R. and Chiang Kai-shek in August 1945, and the advice that the C.P. of China should seek a compromise with the nationalists at all costs, was the logical result of this attitude. It was not accidental that up until a year ago the Chinese revolution had no response in the Soviet press, and insofar as it does have today, it is insignificant in comparison with the size, character and historical significance of the events themselves.

New China was only recognised when she actually was victorious; and when the Chinese revolution discarded the "unselfish patriot" Chiang Kai-shek, with whom the U.S.S.R. had a treaty of friendship and alliance, a revision of this treaty naturally became necessary. And so this new treaty between the U.S.S.R. and China was signed.

"From now on," writes Pravda, "the friendship between the people of the U.S.S.R. and China is based on a new foundation." Let us see what the old foundation of Soviet-Chinese relations

was, and compare the 1945 treaty with the new one in 1950.

The 1945 treaty says that the Prime Minister of the National Government in China and the Praesidium of the Supreme Soviet of the U.S.S.R. are signing a treaty "in a desire to strengthen the friendly ties which always existed between China and the U.S.S.R.," and that "they are decided to help one another in the struggle against aggression." The new treaty states that the Praesidium of the Supreme Soviet and the Central Government of the P.R. China declare "that they are decided to prevent renewed aggression by strengthening friendship and co-operation between the U.S.S.R. and China," and that they "are deeply convinced that the strengthening of good neighbour relations and friendship between the U.S.S.R. and China corresponds to the basic interests of the people in the Soviet Union and China."

* * *

Both the old and the new treaties were signed for a period of 30 years (similar to the treaties which the U.S.S.R. made

with a number of countries in Eastern Europe, including Yugoslavia, and which it later abrogated). The only new thing is in Article 5 of the treaty, in which along with the declaration on respect of sovereignty, territorial integrity and non-interference in internal affairs, there now stands a promise to respect the principles of equality between the contracting parties.

The second agreement, which was signed this month in Moscow, concerns the Chang Chung railroad, Port Arthur and Dairen. Pravda writes that this treaty on the Chang Chung railroad "brought to expression the unsurpassable grandeur of the Stalinist foreign policy of the U.S.S.R." This "insurpassable grandeur" lies in the fact that the Soviet government renounces privileges which were held by the Tsarist government since 1890 and which were renounced by the U.S.S.R. in 1924, only to be renewed by treaties in 1929 and 1945—privileges which gave the Soviet Union the right to take part in the management of the Chang Chung railroad, that is, in managing something

that belongs to China and to her people.

The fact that the U.S.S.R. renounces these "rights" over the Chinese railroad now when the Chinese people have come into power, should be something which can be understood; the stories about the "magnanimity" of this gesture shows that the Soviet Union does not consider it natural to return that which is not theirs.

The same time limit is made for the withdrawal of Soviet troops from Port Arthur, as well as for turning over the harbour installations to China. Whereas, in the treaty with Chiang Kai-shek, the U.S.S.R. agreed to return all the equipment and installations in Port Arthur to China without indemnity, the new treaty provides that "the government of China will pay the Soviet Union expenses for rebuilding and building installations which the U.S.S.R. made since 1945." In case of war both parties will use Port Arthur. The destiny of the harbour of Dairen has been postponed until the conclusion of the peace treaty with Japan. Thus, this harbour will remain completely in Soviet hands.

In a special agreement the U.S.S.R. gave China credit, which expressed in dollars, amounts to 300 million American dollars at the rate of \$36 for an ounce of pure gold. The credit will be given at the rate of \$60 million a year. China will use this credit to pay for equipment and other materials.

How much this credit will be able to help the industrialisation of China is a question. All the more so, if we take for example that in Yugoslavia 900 million dollars corresponds to one year's imports and still cannot satisfy all the needs of our country. Thus, this loan is more of a symbolic propaganda gesture than anything else.

Now, either the U.S.S.R. is not capable of giving better and more effective help to China, which needs such help, or the U.S.S.R. does not wish to help its economic reconstruction and development. In any case, it would be difficult to say that economic ties with the U.S.S.R. are so sufficient that China can obtain what she needs. Soviet leadership is doing everything to isolate China from the rest of the world and to prevent the establishment of relations with other countries.

And finally, as learned from Pravda, "this same spirit of magnanimity and brotherly relations inspires the decision of the Soviet government to return to China, without any indemnity, property which Soviet economic organisations acquired from Japanese owners in Manchuria."

In January, Dean Acheson stated the U.S.S.R. had pretensions toward Manchuria and Sinkiang, and that the process of annexing Outer Mongolia had been completed. Vyshinsky stated this was a slander, and answered that the U.S.A. had imperialist designs on China, and not the U.S.S.R. The State Department then revealed certain documents in order to confirm the truth of its theories. These documents say that the U.S.S.R. acquired special rights in navigation and fishing in Manchuria, the right to control and manage industrial installations in Dairen, Harbin and Chiamus, control of the Jala electric plant, and the management of coal mines, gold mines and a number of factories.

According to a commercial agreement of July 1949 — state these documents — the U.S.S.R. received about 60 per cent of Manchurian farm production which created a famine in this region; Manchuria retained a special currency; the U.S.S.R. obtained the rights to exploit oil fields, gold and tungsten mines, in Sinkiang and Inner Mongolia and in July 1949 an air agreement was extended for another five years under which the Soviet Union has the exclusive right to operate the Alma Ata-Hani Airline.

Further, the American reparations commission estimated that during the Soviet occupation, equipment valued at two billion dollars was carried away or destroyed in Manchuria, the Soviet armed forces confiscated gold reserves valued at about three million dollars, and more than a half billion Manchurian yuans which, according to the American White Book, almost doubled the circulation of Manchurian currency. With

the money, gold mines, saw mills, factories, breweries and even shops were allegedly purchased.

* * *

Let us take it that all this is exaggerated, and that nothing which the two great powers U.S.A. and U.S.S.R. say about one another is at all accurate in regard to policy toward China and in China.

Let us take it that Pravda's formula on turning over property, which "Soviet economic organisations acquired from Japanese owners in Manchuria" contains in itself the renouncement of the entire participation which the U.S.S.R. had in the economy of Manchuria. Then, in this case, cannot it not be called magnanimous when one socialist country returns to a people that which belongs to them?

On the other hand, China will pay off its credit to the U.S.S.R. on the basis of prices on the world market. As a country in which productivity of labour is very small, in which manpower is cheap and capital very low, China, in trading with the Soviet Union at world prices, will of necessity find herself an exploited partner, and that part of the accumulations which belonged to the Chinese people will go to the U.S.S.R. (Here we do not have to accept as accurate allegations by certain British statistics that the U.S.S.R. is buying soya beans from Manchuria at \$70 a ton, while the world market price is \$120. Exploitation exists even if the U.S.S.R. purchases soya beans at \$120 a ton, and all other articles at world prices and not for less).

When we take all this into consideration we will see that it is disgustingly hypocritical to brag about "brotherly aid" and other qualities of the "insurpassable grandeur" of Soviet policy toward China.

In connection with the conclusion of the Chinese-Soviet agreement, many and varied commentaries have occurred in the world press. Soviet and other Cominform papers presented the Chinese-Soviet agreement as a gift of the gods, for which the Chinese people should be grateful to the U.S.S.R. regardless of the fact that the Chinese people won their Revolution without the support and aid of the Soviet leadership — even contrary to the expectations and advice of the U.S.S.R.

Polish, Rumanian, Czechoslovak and other newspapers are satisfied with repeating Vyshinsky's announcement in connection with the Soviet-Chinese agreement and they interpret the agreement as "a historic act for the purpose of strengthening peace and democracy" and as "the greatest gain for both countries, a stronghold against warmongers."

The parts of these commentaries which say that the agreements are based on the principles of U.N.O. deserve special attention. We ask ourselves whether this corresponds to the activities of the U.S.S.R. in U.N.O. and other places, which seem to be striving — and apparently this has so far been the result — to isolate China from in-

ternational life and to create a rift between her and the rest of the world and to prevent a number of other countries from recognising the People's Republic of China. Taken as a whole, Soviet and Soviet-directed propaganda contains general phrases and eulogies about Soviet magnanimity, avoiding concrete facts. Her most glaring boast is that the Soviet Union is the decisive factor which made the Chinese Revolution victorious; the U.S.S.R., who "assisted" China, will return to her part of what is her own. (If they said that she "had returned" instead of "will return," then the story about "magnanimity" would be somewhat less ridiculous).

Other commentaries, mostly from the West, fall into quite a different category. These commentaries mainly deal with the following: one can see from the agreement what U.S.S.R. is giving to China, but one cannot see what concessions China is giving in return; the Chang Chung railway may be returned to China, but one still does not know who will control it; Japanese property in Manchuria will be returned, and this represents an "unexpected admission of the U.S.S.R. that it has effectively controlled Manchurian economy" (since practically all Manchurian industry was owned by the Japanese); the U.S.S.R. must deliver generators, but these must be of very small capacity, since the U.S.S.R. has not got them (the U.S.S.R. imports generators from Great Britain and other countries); the clause about gold dollars serves to remove the fear that one of the partners might be cheated; the return of Dairen is only symbolical, since that port has been cut off from all communications for five years, except with the Soviet Union; it is not clear whether Soviet submarines and warships will be withdrawn from Port Arthur; it is strange that the agreements do not mention Sinkiang and Inner Mongolia, since separate delegations from these provinces were in Moscow with Mao Tse-tung's delegation.

Certain papers consider that "what the Kremlin refused Tito—it gave Mao Tse-tung willy-nilly, and that giving Manchuria to China showed that the Chinese Communists were very firm and self-confident, and also that the 'Kremlin had learned something from its experiences with Yugoslavia'". The New York Times says that the Soviet Government "is not embarrassed by the fact that these agreements show up its former activities in China" and finally the Sydney Times considers that "the Chinese Communists must prove themselves to be supporters of Russia if they wish Moscow to keep its promise and renounce control of Manchuria".

After a decade of fighting for their rights and independence, the Chinese people have brought their Revolution to victory, and have created their people's republic of about half a milliard people. All democratic humanity hailed the victory of the Chinese Revolution, and our country did so especially, for here the people came into power by the same path, relying mainly on their

COMMERCIAL MARKETS

Hongkong-China Shipping

While it is too soon to estimate with any accuracy what trading conditions between China and Hongkong will be, the events of the past week would seem for the first time for many months, to offer a welcome break in the impasse over shipping between Shanghai and southern Chinese ports.

The departure of two ships for Shanghai is the first indication of the collapse of the blockade, and with its fall the possibilities of re-opening the normal trade routes came uppermost in the minds of shippers and merchants as being the preliminary step to normalcy. The s.s. Mausang and s.s. Tsinan will test the safety and the general possibilities of a passage up the Yangtze and though the departure of these vessels on their somewhat hazardous journey has been quiet and almost unnoticed, it cannot but be remembered that the venture is one of many daring undertakings for which the British merchant fleet is renowned. It was wisely decided that no passengers would be permitted to travel and the vessels were loaded to only half their normal capacity.

These vessels will be quickly followed by others, and though local markets have not yet begun to indicate any strong stimulation, with perhaps the exception of raw cotton prices, a successful outcome must immediately have favourable repercussions on commodity prices. In this connection and with the

easing of the godown situation merchants will have better possibilities of storing potential goods destined for Shanghai and, at the same time with the return of the 90 to 120 days grace accorded by warehouse owners when possible, there will be more time in which to dispose of stocks.

Not only has the possibility of opening recognised trade routes come at an opportune moment to offset the despondency which seems to have been increasing during the past few weeks, but the onus of future trade relations is placed conclusively on the shoulders of the Communist Govt. in China. The blockade has had its advantages in that the new authorities have had ample time to realise the needs of China and should now be able to gauge exactly what is required if the country is to be lifted out of the depths of poverty and distress into which it has fallen.

Although Shanghai is the immediate focus, shippers are not neglecting the needs of the southern ports and the knowledge that schedules have been worked out, and in some cases are already in operation, for the resumption of normal traffic, is bound to restore confidence. It is true that a number of firms in Shanghai and elsewhere unfortunately have not been able to stand the strain of the past months and are closing down, but it can be hoped that release has not come too late for the majority.

Railway Traffic

While trade by sea from a normal point of view has been more or less impossible except with North China, the Communists have done their best to speed up the transportation of goods by rail, and it would seem that these efforts are now reaching greater efficiency. The fourth through train is on its way from Shanghai with some 500 tons of cargo, and with the recent concessions which have been made by the China Native Products Export Corporation in order to expedite matters the cargo will not be examined enroute nor will any hampering change of trains be necessary. Stevedoring at both terminals has also been organised so that merchants can gauge more or less definitely what the actual cost of transportation will be although there must necessarily be some variation according to the type of commodity.

Rubber Growing in China

As an example of the initiative for which Chinese merchants are noted, it is interesting to learn of the successful growing of rubber trees in Hainan Island as well as near Chungking. About eight years ago a native of Szechuan experimented with the planting of *Ficus Elastica* near Chungking and now 200 of these trees are yielding latex, laboratory tests showing that the rubber compares favourably with that of similar trees in India.

A prominent Chinese from Malaya has also experimented successfully with the planting in Hainan Island of

Hevea Braziliensis, the tree grown in Malaya, the soil and semi-tropical weather conditions being found suitable to its cultivation.

Taiwan-Hongkong Trade

Since the fall of the Chusan Islands to the Communist forces, trade between Hongkong and Taiwan has entered upon a period of uncertainty and, as a result, Taiwan dealers in the Colony are holding back from large-scale purchases. Not only has the near approach of hostilities created a feeling of instability, but it also appears that merchants have been over-buying in certain directions during the past few weeks, resulting in heavy stocks being held on the island of certain commodities such as wheat flour, ammonium sulphate and beancakes, more than sufficient to cover the requirements for some time of a population which, according to a census taken in March, has neared the $7\frac{1}{2}$ million mark. While this uncertainty has to a certain extent been anticipated, nevertheless trade between Hongkong and Taiwan for the present is marking time, and future transactions are regarded as being dependant upon whether the Nationalists can defend Kingmen, the capture of which would render Taiwan extremely vulnerable to attack.

Swatow Embroideries

Swatow has always been one of the most important sources of supply for lace and embroideries, and the trade in Hongkong was consequently much hampered when the Communists' imposed restrictions upon the import of raw materials and machinery for the factories, on the ground that the embroideries came under the heading of "luxury goods". However, these restrictions have now been lifted and it should be possible for local dealers to obtain what they require in this respect as soon as the Swatow factories have been reequipped to handle the trade on a sufficiently large scale. It is true that importations of embroidery into Hongkong have been more or less continuous, but the trade is capable of development, and recognition by the Communists of its importance to Swatow as a leading industry should give it an impetus.

Increased Output at Scottish Factory

The introduction of a compressed air system, coupled with engineering ingenuity, has led to considerable increase of output at the Mauchline, Ayrshire, Scotland, factories of M. Wiseman and Company Ltd., manufacturers of spectacle frames, cases and bi-focal lenses.

The new machines have been designed to eliminate hand movements. In one instance, the operator, instead of using both hands and performing five distinct operations, merely put the component into the holder with one hand and raises and drops a handle. Daily output has thereby increased from 250 dozen. A new capstan type drilling machine for spectacle joint parts has increased production from 80 dozen to 100 dozen with fewer movements required by the operator, while in another machine a foot valve has entirely eliminated the

own forces, entering the struggle uncompromisingly, regardless of the advice of those who suggested a compromise.

The heroic struggles and the victory of the Chinese people led to concrete changes in international relations, but the agreements that have been announced leave out a number of important questions in Soviet-Chinese relations. In so far as these questions are dealt with, for example, on the question of a loan to China one could have said beforehand that it was symbolical rather than actual assistance. But the Chinese people are very deserving of help, extensive help, from all progressive and democratic humanity.

China and the U.S.S.R., which, by the number of their inhabitants, can be counted amongst the largest countries in the world, have signed agreements about alliance and the arrangement of certain questions of mutual relations. Within these agreements there are several principles for the settlement of other questions, such as the principle of mutual respect and equality, independence and territorial integrity, and non-interference in internal affairs. The correctness of these principles cannot be brought into question, but the validity of these agreements will depend on the literal execution of the principles. These are things which cannot be foreseen, either from the text of the agreements or from official comment.

work previously done by the left hand, and the finished component is expelled by compressed air instead of being withdrawn by hand.

Mechanical riveting machines, responsible for an unwelcome volume of noise, have been replaced by compressed air machines, which are both silent and 40 per cent. faster, while hammers operated by a foot valve do the job three times quicker than was formerly done by hand.

The notable feature about these machines is that they are result of "on the spot" study of working conditions and are made in the firm's toolroom.

Two thirds of the output of these factories goes for export, the firm having customers in all parts of the world. The 40 employees are brought to work from the neighbouring towns and villages by a fleet of buses. In addition to its Scottish factories the firm has three factories in the south of England. Altogether it is one of the largest firms of optical manufacturers in Europe.

HONGKONG COMMODITY MARKETS

Cotton Piece Goods and Cotton Yarn

Lack of demands from China has for some time caused a state of inactivity in the Cotton Piece Goods market from which it has not yet recovered although recent transactions by Philippine buyers in Grey Sheetings created some interest. 36" Flower & Bird selling at \$37.30 per piece, Four Lotus at \$38 and Pine & Crane at \$36.50 per piece; Fairy Eagle and Fancy Butterfly were quoted at \$39, Mammoth Bird fetched \$38.50, Prosperous dropped to \$38 and Peacock to \$39.50 per piece. In Drills, Dragon and Door fell to \$41.50 per piece and Nan Cheong to \$46 with a few transactions.

Except for purchases of Cotton Yarn by local knitting mills, the market remained dull during the week: in 10 counts, Dawn Mills rose to \$660 per bale, Gokak Mills to \$670, Kaleeswarar Mills to \$645 and Jayashankar Mills to \$660 per bale; in 20's increases were shown in Tug of War which sold at \$825 per bale, Sree Meenakshi Mill \$840, Standing Horse \$960, Yacht \$1150, Coimbatore Mills \$910, Gokak Mills \$805, Kaleeswarar Mills \$770, Sidhpur Mills \$790 per bale.

Raw Cotton

Local cotton mills were actively in the market for USA Raw Cotton and the hope of a resumption shortly of normal sea traffic to Shanghai caused a revival of interest. Prices accordingly rose: USA 1" sold at \$1.93 per lb., ½" 1st quality was offered at \$1.82 and 2nd q. at \$1.80, while 15/16" 1st q. fetched \$1.90 per lb.; Pakistan 4F-roller gin sold at \$1.83 per lb., NT-roller gin fetched \$1.93, LSS-roller gin sold at \$1.87 and 289F at \$1.94 per lb.

Metals

The demand in Shanghai for Galvd. Mild Steel Sheets has had no effect on the local market, due to the heavy import duty imposed by the Communist authorities in Tientsin and Tsingtao which has made it impossible for Hongkong traders to meet the price offered in Shanghai of HK\$11 per sheet and has consequently discouraged them from making shipments to the north. Prices on the local market for both thin and thick sheets showed little variation in the course of the week, with few sales: Galvanised mild steel sheets (thin) Japanese G30 3' x 7' were quoted at \$6.80 per picul and the same specification of Belgian origin stood at \$6.50; Japanese 3' x 6' fell to \$5.50 per picul. Japanese 3' x 7' G24 (thick) was quoted at 42 cents per lb., G26 at 48 cents and G28 at 56 cents per lb. European 3' x 8' forward price was 40 and 46 cents respectively for G24 and G26. Mild Steel Plates had renewed activity during the week with North China buyers showing interest and a general improvement in price was noticeable: 3/32" 4' x 6' was particularly popular due to a demand by the Communist authorities on account of its suitability for steel helmets, the price rising to \$38 per picul; 4 x 8' 1/32" improved to \$46; on the other hand 1/16" fell back to \$34 per picul and ¼" to \$26, while 3/16" and ½" remained steady at \$27 per picul. Zinc Sheets continued to improve with buyers from Thailand in the market. Polish specifications were in demand, G6 being sold at \$104 per picul and G5 at \$108; Belgian G2 was offered at \$136 per picul and G5 at \$112. Angle Bars were brisk during the week, interest being shown by dealers from China and prices continued firm: ½" thick ¾" stood at \$35 per picul, 1" and 1¼" sold at \$34; 3/16" thick 1½" and 1¾" fetched \$30 per picul. Round Steel Bars were in demand by buyers from Taiwan, Macao and Tientsin: 40 ft. ¼" being offered at \$28 per picul while ¾" to 1" rose to \$27 per picul; 1½" and 1¾" were offered at \$32 per picul and 1½" at \$33.

Rubber

Transactions in Rubber continued during the week in preparation for shipments to North China and Manchuria in exchange for China products. Prices saw a further rise: Smoked Rubber Sheets No. 1 sold for \$210 per picul, No. 2 for \$205 and No. 3 for \$200 per picul; Sole Crepe Rubber from Java was quoted at \$320 per picul, and Singapore No. 2 at \$275 and No. 3 at \$265 per picul; Pale Crepe No. 1 rose to \$195 and No. 2 to \$190 per picul.

Glass

Japanese 100 ft. 16 oz. thin glass appeared for the first time on the local market with the arrival of over 3000 cases; it was quoted at from \$27 to \$27.50 per case. Chinese glass of the same specification was sold at \$23 per case and \$22 forward; French 100 ft.

16-18 oz. rose to \$25.50 per case, but Belgian 200 ft. 24 oz. fell to \$70 and 18 oz. to \$53 per case; Czech 100 ft. 16-18 oz. stood at \$25 per case and \$24 forward; German 300 ft. 44 oz. was offered at \$600 for the best specification, and at \$500 for large, \$420 for middle and \$350 for small specifications. British safety glass, plain, 44 oz. dropped to \$5.50 per ft.; British cross-ruled glass fell to \$1 per ft., Arctic glass stood at 90 cents per ft. and coloured glass rose to \$2 per ft., while 250 oz. thick quality stood at \$45 per ft. The information that a shipment of British and American Insulight Glass Blocks was due to arrive shortly caused a fall in prices: British 8 sq. in. fell to \$3.50 each and the 6 sq. in. were offered at \$2.60, while the USA 8 sq. in. was quoted at \$3.80.

Vegetable Oils, Ores and Other China Produce

The price of Tungoil (Woodoil) continued to show a downward tendency, following an announcement that the South China Trade Bureau had reduced the floor export price of shipments from Canton, and fell to \$150 rising later to \$152 per picul, and \$148 for 3 weeks forward, (as compared with \$170 at the beginning of May). A steady supply is arriving from Canton, but North China dealers are effecting sales direct with their markets abroad, offering a selling price of US 21 cents per lb. c. & f. New York, the London price being £175 per long ton c. & f. This increase in direct dealings coupled with heavy stocks on the local market makes any prospect of an improvement in price doubtful, unless as a result of a limitation in supplies from Canton which is anticipated if prices on the local market fall further. Teaseed oil stood at \$151 per picul, later offering at \$150, and on this figure dealers were firm although counteroffers were received at \$149 per picul; 3 weeks forward remained at \$147.50; the European buying offer was at £165 per ton c. & f. Aniseed oil 15% rose to \$680 per picul following an increase in price in Canton, but dropped to \$670 at the close. Cottonseed oil fell to \$105 per picul. Linseed oil rose to \$115 per picul. Groundnut oil was steady with low stocks. A supply arrived from Tientsin, but as the bulk of it had been disposed of in forward sales little was left for disposal in spot transactions. Prices for the Tientsin and Tsingtao product stood at \$117 while forwards were quoted at \$115 per picul; Swatow Dragon brand was offered at \$183 while Victory brand stood at \$180; the Bombay product remained at \$135 per picul; Thai groundnut oil was sold at \$149 forward the spot price being \$147 per picul.

Since the Communist authorities have placed mineral ores under the control of state organisations the local market has been extremely dull. Dealers are prepared to offer good prices for Tungsten (Wolfram) Ore to supply demand from abroad, but little business had been transacted though one comparatively small deal took place at

\$270 per picul. Kwangtung Tin 99% was quoted at \$565 per picul; Singapore Marked Banker 99.75%, with low stocks improved in price, selling at \$592 per picul. Antimony 99% was offered at \$158 per picul.

Transactions in *Cassia Lignea* were light during the week, the West River 84 catty packing remained at \$41 per picul while the 60 catty packing showed an increase to \$37 and the bulk packing rose to \$31 per picul. Cassia Whole (West River) stood at \$65 per picul and the Tunghing product was offered at \$78. Nanning Aniseed Star 1st quality improved in price and was quoted at \$92 per picul. There was little doing in Hankow Lime Cubes, the price falling to \$19.50 per picul. Liquorice better quality was offered at \$165 per case. Japanese traders were in the market for Ramie and with low stocks the Szechuan product rose to \$182 per picul, the Japanese buying offer being US 23 cents per lb. c.i.f.; Taiwan ramie was quoted at \$175 per picul and the West River product at \$180; few transactions took place. East River Rosin with a few demands improved slightly in price to \$28 per picul. Gallnuts, with recent arrivals, showed a decline, the Szechuan 2nd quality and Luichow products dropping to \$110 each.

HONGKONG'S IMPORTS AND EXPORTS FOR 1949

Buffalo Hides, Fur Skins, Cattle Hides

BUFFALO HIDES

Last year imports and exports of Buffalo Hides into and from the Colony reached a total of 74,924 piculs valued at HK\$14,830,414; imports amounted to 34,152 piculs at \$6,184,754 and exports to 40,772 piculs at \$8,645,660, or an export excess of 6,620 piculs to the value of \$2,460,906.

Of the total quantity imported 41% was from South China or 14,145 piculs (\$2.2 million) and 39.5% from Thailand with 13,487 piculs (\$2.99 m.). Over 45% of the exports went to the United Kingdom or 18,751 piculs valued at \$3.81 m.

Buffalo Hides		Imports	
	Piculs		\$
South China	14,145	2,207,241	
Thailand	13,487	2,989,623	
Indochina	2,112	333,598	
North China	1,739	173,650	
Malaya	1,216	259,467	
Macao	817	58,917	
North Borneo	512	59,560	
Central China	37	4,285	
Indonesia	33	2,250	
Total	34,152	6,184,754	

Exports			
	Piculs		\$
United Kingdom	18,751	3,814,527	
Italy	4,315	911,642	
Japan	3,765	917,611	
Holland	3,632	787,876	
Belgium	3,248	699,361	
France	3,005	724,994	
U.S.A.	948	203,445	
Egypt	707	145,498	
Turkey	682	114,758	
Germany	380	80,274	
Philippines	322	35,906	
Sweden	304	63,412	
Switzerland	250	58,927	
India	192	48,460	
Syria	187	35,775	
Malaya	60	2,413	
Macao	24	1,687	
Total	40,772	8,645,660	

Monthly Imports		Monthly Exports	
	Piculs		\$
January	2,865	479,832	3,411
February	3,605	543,266	3,531
March	3,876	609,565	3,390
April	2,827	417,615	3,268
May	4,893	782,944	5,693
June	2,033	323,814	3,434
July	1,193	233,265	3,632
August	1,427	250,746	1,692
September	3,246	743,681	2,638
October	2,735	643,954	2,609
November	2,591	614,316	4,462
December	2,661	541,756	3,012
Total	34,152	6,184,754	40,772

FUR SKINS

Hongkong, which formerly was an important centre in the Far East for the re-export of Furs from Siberia, Korea and Manchuria to Great Britain, the USA and other countries, suffered with the curtailment of supplies as a result of the war, and as yet there has not been any noticeable increase in the trade. Furs imported into the Colony are divided into two categories, fur skins undressed and dressed furs not made up. During 1949 the total value of fur imports and re-exports amounted to HK\$7,275,124; imports came to

\$2,382,563 and exports to \$4,892,561, or an excess of exports amounting to \$2,509,999.

Furs skins undressed totalled \$7,140,829, imports being \$2,271,365 and exports \$4,869,464. The main supplies came from South Korea \$1.58 million, while North Korea came next in importance with \$490,004. Exports from Hongkong went almost entirely to the United States \$4,846,809.

Dressed furs, not made up, amounted to \$134,295, imports totalling \$111,198 and exports \$23,097. Imports from the USSR were valued at \$81,040 and from the USA at \$27,618. Exports went to the USA to the value of \$20,097 and Japan \$3,000.

The tables below give details of the trade in furs together with monthly imports and exports:—

Fur skins undressed		Imports	
			\$
South Korea	1,580,522		
North Korea	490,004		
North China	184,128		
Japan	6,477		
U.S.A.	5,234		
Macao	5,000		
Total	2,271,365		

Exports			
			\$
U.S.A.	4,846,809		
North China	18,000		
United Kingdom	3,800		
Macao	805		
Central China	50		
Total	4,869,464		

Monthly Imports		Monthly Exports	
	\$		\$
January	44,320	243,220	
February	629,680	631,980	
March	309,130	238,144	
April	545,740	382,419	
May	326,210	1,474,100	
June	35,000	599,024	
July	nil	349,400	
August	217,000	669,570	
September	64,477	8,000	
October	78,000	119,157	
November	9,483	9,483	
December	12,325	144,967	
Total	2,271,365	4,869,464	

Dressed Furs, not made up		Imports	
			\$
U. S. S. R.	81,040		
U. S. A.	27,618		
North China	2,540		
Total	111,198		
		Exports	
			\$
U. S. A.	20,097		
Japan	3,000		
Total	23,097		

Monthly Imports		Monthly Exports	
Jan. to Mar.	nil	Jan. to May	nil
April	81,040	June	3,000
May	18,018	July to Sept.	nil
June to Aug.	nil	Oct.	20,097
Sept.	9,600	Nov. & Dec.	nil
Oct.	nil		
Nov.	1,040	Total	23,097
Dec.	1,500		
Total	111,198		

CATTLE HIDES

Hongkong's total trade in Cattle Hides for 1949 amounted to 24,430 piculs valued at \$5,783,233, of which imports came to 12,677 piculs at \$2.86 million and exports to 11,753 piculs at \$2.91 m., or an import excess of 924 piculs valued at \$46,413. The higher value of exports is explained by the reduced quantities entering the Colony, which sent up the price, and also made it difficult to complete orders from abroad.

Transportation difficulties in China, hampering the procuring of supplies, brought Thailand to the front as the principal source of the Colony's imports, 7,113 piculs valued at \$1.93 m. being received from that source as against a total of 4267 piculs at \$706,660. from China as a whole including Macao.

Exports went chiefly to Japan, 2877 piculs at \$876,456, and Holland 2617 piculs at \$728,142, with the United Kingdom 1906 piculs at \$370,284 and

the Philippines 1148 piculs at \$109,164 coming third and fourth respectively.

The following table gives details of imports and exports together with shipments received and despatched each month:—

Hides of Cattle			
	Piculs	Imports \$	Exports \$
Thailand	7,113	1,937,070	2,877
South China	3,705	625,930	2,617
Indochina	817	110,870	1,906
Malaya	397	91,443	1,148
North China	315	31,460	949
Macao	243	48,550	460
North Borneo	59	9,677	
Australia	20	5,082	
U. S. A.	4	7,608	
Central China	4	720	
Total	12,677	2,868,410	
Japan	2,877	876,456	
Holland	2,617	728,142	
United Kingdom	1,906	370,284	
Philippines	1,148	109,164	
Italy	949	262,267	
U. S. A.	460	103,344	

Greece	450	123,380
Germany	389	127,171
Malaya	297	44,779
Sweden	160	35,395
Central China	150	71,400
Macao	146	15,006
Austria	65	17,660
Turkey	50	6,000
North Korea	34	4,500
Belgium	26	6,825
Switzerland	25	12,100
Australia	3	650
South China	1	300
Total	11,753	2,914,823

	Monthly Imports Piculs	Monthly Imports \$	Monthly Exports Piculs	Monthly Exports \$
January	357	66,159	1,145	257,913
February	777	121,832	821	215,299
March	362	78,186	1,102	240,212
April	580	107,965	596	146,649
May	1,325	263,571	1,254	278,351
June	893	189,921	1,315	263,497
July	2,215	416,279	1,014	300,092
August	1,946	488,364	586	110,014
September	1,746	500,012	791	225,603
October	199	47,973	1,110	282,778
November	1,022	272,868	675	209,586
December	1,255	315,289	1,344	384,829
Total	12,677	2,868,410	11,753	2,914,823

Hongkong Imports & Exports of Selected Commodities

FOR THE MONTH OF APRIL, 1950

WOLFRAM

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	1,246	331,007
Belgium	—	—	420	113,400
Macao	11	2,420	—	—
Total	11	2,420	1,666	444,407

ANTIMONY

China, Middle	—	—	41	8,800
Thailand	—	—	36	5,760
Total	—	—	77	14,560

TIN INGOTS OF CHINESE ORIGIN

China, Middle	—	—	40	23,895
U. S. A.	—	—	1,596	836,165
Total	—	—	1,636	860,060

TIN INGOTS (not elsewhere stated)

Malaya	874	466,989	—	—
Total	874	466,989	—	—

TINNED PLATES

United Kingdom ...	6,282	385,225	—	—
Macao	—	—	42	6,770
Thailand	—	—	21	4,704
U. S. A.	14,475	600,639	—	—
Total	20,757	985,864	63	11,474

WOOD OIL (in drums)

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	2,873	520,800
Australia	—	—	1,545	306,487
Malaya	—	—	76	14,464
New Zealand	—	—	1,184	226,707
North Borneo	—	—	11	2,383
South Africa	—	—	2,185	415,816
British Commonwealth, Other	—	—	84	17,760
China, North	3,842	661,140	—	—
China, South	30,031	5,732,603	27	1,890
Denmark	—	—	495	91,522
Germany	—	—	1,089	222,466
Holland	—	—	1,625	328,640
Italy	—	—	564	101,640
Macao	—	—	15	2,730
Norway	—	—	2,318	437,260
United States of Indonesia	—	—	16	3,900
Thailand	—	—	35	4,712
Switzerland	—	—	252	55,360
U. S. A.	—	—	158	29,384
Austria	—	—	385	79,968
Total	33,873	6,393,743	16,620	3,205,693

WOOD OIL (in bulk)

United Kingdom ...	—	—	9,549	1,780,321
China, South	4,368	910,000	—	—
Germany	—	—	5,325	967,920
U. S. A.	—	—	17,164	3,029,686
Total	4,368	910,000	32,038	5,777,927

OTHER OILS FROM SEEDS, NUTS AND KERNELS

United Kingdom ...	—	—	1,092	136,920
China, Middle	—	—	125	11,800
China, South	4,803	621,450	—	—
Macao	—	—	6	693
Philippines	67	11,000	—	—
Thailand	17	896	—	—
Total	4,887	633,346	1,223	149,413

FINANCIAL REPORTS

THE RISE IN THE FREE £

The firmer tendency which the £ sterling began to develop in overseas free markets shortly after the General Election is being fully maintained, writes the Financial Times of London. During the past week the rate for transferable account sterling in New York has gained another point or two to reach 2.63-65. This represents a jump of 14 points or 5½ per cent. on the post-election low reached at the beginning of March. And it is as much as 10 per cent. above the all-time low

level of 2.40 touched in the closing months of last year.

An important point about the latest advance is that it all but eliminates the danger of sterling area dollar earnings being tapped through triangular deals in sterling commodities by non-sterling countries. International trade experts estimate that commodity "shunting," using cheap transferable account sterling, is, generally speaking, profitable only when the discount is in excess of 5 per cent. and that third country trading in manufactures is not possible

until the discount rises beyond 10 per cent. At the present time the discount for the free transferable pound is no more than about 5½ per cent. Thus even if it were possible to circumvent the recently reinforced British Exchange Control restrictions on triangular trade deals involving the use of transferable account sterling, there would be little to be gained by doing so except perhaps in the case of deals in certain special products.

The reasons for this encouraging contraction in the margin separating the free market rate from the official rate for commercial sterling have been

BRISTLES					COCO-NUT (copra) OIL, REFINED				
Countries	Imports		Exports		Countries	Imports		Exports	
	Quantity	Value	Quantity	Value		Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$		Piculs	\$	Piculs	\$
United Kingdom ...	—	—	341	562,813	Malaya	2,794	334,615	—	—
Australia	—	—	12	16,133	North Borneo	69	8,064	—	—
China, North	122	280,333	—	—	China, Middle	—	—	3,154	378,507
China, South	349	420,000	—	—	China, South	180	21,600	—	—
Japan	—	—	10	69,799	Macao	—	—	432	46,870
U. S. A.	—	—	715	2,267,641	Total	3,043	364,279	3,586	425,377
Total	471	700,333	1,078	2,916,386					
RUBBER, raw					LINSEED OIL				
Malaya	7,731	1,032,750	5,610	622,493	India	235	37,100	—	—
North Borneo	160	11,800	—	—	China, Middle	—	—	168	22,410
China, North	—	—	10,279	838,944	Macao	—	—	150	27,927
China, Middle	—	—	1,596	90,810	Philippines	—	—	1	150
China, South	269	28,449	—	—	Total	235	37,100	328	50,487
United States of	—	—	—	—					
Indonesia	756	54,720	—	—	GROUNDNUT (peanut) OIL				
Thailand	—	—	6	600	India	2,709	388,836	—	—
U. S. A.	—	—	3,360	330,600	Malaya	102	15,400	402	69,081
Total	8,916	1,127,719	20,851	1,883,447	North Borneo	—	—	30	4,151
ANISEED OIL					China, North	21,862	2,857,327	—	—
United Kingdom ...	—	—	49	42,568	China, Middle	336	55,028	9,068	1,239,130
Australia	—	—	34	30,330	China, South	—	—	160	21,380
Belgium	—	—	6	5,229	Macao	17	2,624	1,689	224,360
China, Middle	6	4,500	—	—	Thailand	4,427	632,847	—	—
China, South	178	132,240	—	—	Others	—	—	3	575
France	—	—	16	15,750	Total	29,453	3,952,062	11,352	1,558,677
Holland	—	—	31	34,493					
Italy	—	—	8	7,932	SESAMUM OIL				
Japan	—	—	5	4,815	Australia	—	—	2	321
Macao	102	98,240	—	—	Canada	—	—	19	4,020
U. S. A.	—	—	428	323,481	Malaya	—	—	46	9,616
Total	286	234,980	577	464,598	West Indies	—	—	1	110
CASSIA OIL					British Common-wealth, Other	—	—	2	108
United Kingdom ...	—	—	22	32,800	Central America	—	—	1	194
India	—	—	2	2,010	Macao	—	—	16	2,470
China, South	6	9,135	—	—	Philippines	—	—	8	1,700
Japan	—	—	12	21,022	U. S. A.	—	—	22	5,229
Macao	15	22,276	—	—	Total	—	—	117	23,768
Total	21	31,411	36	55,832					
SOYA BEAN OIL					TEA SEED OIL				
— Nil —					United Kingdom ...	—	—	17,376	2,950,173
					Canada	—	—	3	525
					China, South	23,737	3,581,182	—	—
					Germany	—	—	267	43,072
					Macao	448	68,448	—	—
					Total	24,185	3,649,630	17,646	2,993,770

the subject of much discussion in banking circles in London. It is thought that the movement may to some extent be explained by the obstacle which the British authorities have placed in the way of the movement of sterling on to the free market by limiting, as a matter of general policy, the use of transferable account sterling to direct current transactions except when specific authority to do otherwise has been obtained from the Bank of England. But it is thought that the main explanation is to be found in a considerable shrinkage in the amount of transferable account sterling which countries in the transferable account group are able and willing, to dispose of for dollars on the free markets.

Purchases of sterling area products by these countries have been stimulated to such an extent by the drop in sterling prices relative to dollar prices following devaluation that they no longer have large surpluses of sterling which are constantly tending to spill over into the free markets. One country which has in the past indulged, probably to a greater extent than any other, in "shunting" operations has recently not only wholly exhausted its sterling holding but has actually become indebted to the British Government. Thus, according to the Foreign Exchange Note issued by the Dutch Government at the close of last week, Dutch sterling balances amounted at the close of 1949 to £19 million but have since given place to a negative balance.

The improvement in free rates for sterling has not passed unnoticed abroad. Indeed, in some centres it has already given rise to talk of the possibility of a revaluation of the official £ in terms of the dollar. In practice, the recovery in Britain's payments position will certainly have to go a good bit further before the British authorities even begin to think on these lines. But it is possible that if the contraction in free market discounts continues it will be considered safe to make further relaxations of restrictions on the use of sterling in international trade.

HONGKONG FREE MARKET

GOLD:—Last week's highest & lowest rates per .045 fine tael \$270¼—264½ equiv. to .99 fine tael and oz prices of \$283.11—277.09 and \$235.27—230.27 respectively. Crossrates US\$ 38½ high, 37¾ low. Macao and Canton prices per .99 fine tael HK\$281¼—277 and \$264—256 respectively.

Highest & lowest .99 fine tael gold and TT New York prices:—

	Gold		US\$	
	high	low	high	low
May				
22	270¼	268¾	613	611
23	276%	265½	611½	610
24	267%	264½	612	610½
25	269¼	266	611	610½
26	268½	267	611½	610½
27	267¾	265½	611	609¾

Prices here are on the downward trend, fluctuations within narrow margins; cold war news and rumors from China do not stimulate speculation.

Hongkong's gold market, as well as Macao's, is influenced only by actual trading position and by overseas bullion prices. As abroad brokers quoted around US\$36¼ (Tangiers) to 37¼ (New York), for export cargo, and local stocks remain high while imports continue on a scale which, over a period, exports cannot balance, the local price must drop under overseas bullion markets if exports are to be effected.

Imports have been coming in from China incl. Taiwan all the time, and the recent reopening of Shanghai to international trade (following the occupation of the Chusan Islands by the People's Govt of China) will further increase such imports as Shanghai buyers of foreign goods will, partly, pay with gold for contracted merchandise. Imports are also due from Taiwan though the quantity may not be very large; as the position of that island is menaced and flight capital is constantly on the move out of Chiang Kai-shek's last stronghold, Hongkong and Macao will further receive private hoards and also officially stored bullion of the KMT and of the authorities in Taipei.

On the other hand, exports from Macao are only expected to be directed, on a larger scale, to Goa for smuggling into India; other export openings depend on the price position here and

abroad with Hongkong being compelled to quote at least US\$1 below overseas bullion centres.

Forward interest of last week totaled 45 cents per tael or approx. 9% p.a. Under present tight money conditions in Hongkong this interest cannot be regarded as satisfactory esp. seeing that securities here yield from 10 to 15% (for industrials) while first mortgages (privately) bring money lenders from 1½ to 2½% per month.

Forward contracts, mostly fictitious, aggregated last week 288,000 taels (.945 fine) or 48,000 per average day. Positions left open per average day 169,000 taels. Exporters found business unprofitable and therefore unloaded and their positions were almost cleared. (But for a small group of gold dealers who are connected with the Macao-Goa trade and who thus make very high profits other exporters are finding difficulty to ship gold, from Macao, abroad as the profit margin has narrowed down to almost nil). Shanghai operators were active last week as the Shanghai price improved from PB\$ 1,050,000 to 1,130,000 per .99 fine ounce; together with some underground transport outfit which manages to get gold out of Shanghai and via Canton or other southern ports to either this or the Portuguese colony the local Shanghai operators were selling forward only to buy back after a few days, thus

NEW YORK FREE MARKET FOREIGN EXCHANGE

Payment rates in foreign currency units per US\$ except sterling rates in US\$.

	May 9		End of April	Official Rates
	Bid	Offered		
British £				
Cash Payment	2.56	2.58	2.59	2.80
Residential	2.52	2.54	2.56	—
Governmental	1.60	1.65	1.55	—
Industrial	1.72	1.76	1.65	—
S. African Mining	2.10	2.20	2.05	—
Argentina	13.00	13.40	14.00	9.00
Austria	30.50	31.00	31.50	14.40
Belgium	51.00	51.50	51.00	50.00
Brazil	33.25	33.50	32.00	18.50
Chile	109.00	112.20	107.00	60.00
Czechoslovakia	450	500	450	50
Denmark	8.75	9.00	8.50	6.91
French frs.	360	355	359	350
Capital frs.	365	360	365	—
Moroccan frs.	390	385	395	—
German DM West	18.75	19.50	19.75	4.20
German DM East	40.00	35.00	39.00	—
Swedish mark	12.50	12.75	13.00	—
Finland	385	350	370	231
Egypt	2.28	2.35	2.38	2.87
Greece	20,000	17,000	18,000	15,000
India pmt Calcutta	17.75	18.50	17.00	21.00
Pmt. Bombay	18.00	18.75	17.50	—
Iran	57.00	58.00	55.00	32.25
Hungary	52.00	56.00	58.00	11.80
Israel pmt Tel Aviv	1.55	1.65	1.50	2.80
Investment pound	1.70	1.75	1.75	—
Italy L. Lira	635	630	635	624
Pmt. Milan	645	640	650	—
Japan	600	500	620	360
Netherlands	4.10	4.20	4.20	3.80
New Zealand	2.45	2.48	2.45	2.80
Indonesia, Nica Gld.				
(new)	23.00	24.00	22.00	7.56
Norway	9.00	9.30	9.30	7.14
Pakistan	5.00	5.10	4.90	3.21
Peru	21.00	21.25	20.90	20.00
Philippines	2.40	2.50	2.60	9.00
Portugal	29.00	29.10	28.75	28.75
Spain	55	58	54	11
Malaya	3.70	3.80	3.80	3.08
South Africa	2.47	2.49	2.45	2.80
Turkey	4.50	4.60	4.50	2.80
Uruguay	2.70	2.90	2.95	2.45
Yugoslavia (pt. Zagreb)	350	275	300	50
(pmt Trieste)	400	350	350	—

SILVER TRADE OF HONGKONG IN APRIL 1950

Silver (bars or ingots)

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Ounces	\$	Ounces	\$
China, Middle	—	—	987,517	4,174,696
Macao	90,887	362,355	—	—
Total	90,887	362,355	987,517	4,174,696

Silver coins

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Ounces	\$	Ounces	\$
United Kingdom	—	—	154.875	464.625
China, South	1,300,347	3,916,062	—	—
Macao	433	1,500	—	—
U. S. A.	—	—	1,700	6,000
Total	1,300,780	3,917,562	156.575	470.625

reaping the difference in a sagging market. Canton quoted about 8% less than Hongkong which fact induced sales by the Canton group here. Canton was again bursting with gold which however was arriving in that city in transit, coming from Shanghai and Northern ports of China. Swatow operators, being mostly interested in the export to S. E. Asian ports, acquired cash bars for export and took, as a precaution, an oversold forward posi-

tion. Local and casual operators, feeling that there was some sort of 'threat' in the air, piled up an overbought position; no doubt these anticipations are, to say the least, premature by several years as there is no danger to Hongkong's peace and order.

Cash bars sold totaled 31,120 tael officially and 11,500 tael unofficially. Interest hedgers took 37,000 tael, the balance of 5620 went to exporters who consigned them to India 2500 tael,

Bangkok 2200 and about 920 tael to Singapore. Differences paid for .99 fine bars amounted to \$12.30—13.90 per tael.

Imports about 7800 tael, from North China 2100, Taiwan 1900, Swatow 700 and Canton 3100.

Silver:—Prices in HK\$ per tael \$4.81. per dollar coin \$3.02—3.07, per 20 cents coins 2.44—2.46. Transactions: 92,000 tael (one third in bars, two thirds in coins). in April: in bars 90,887 ozs

from Macao valued \$362,355, and in coins 1,300,347 ozs, valued \$3,916,062 from South China and 433 ozs valued \$1,500 from Macao. Exports in April: in bars 987,517 ozs, valued \$4,174,696 to Taiwan, in coins 154,875 ozs, \$464,625 from U.K. and 1700 ozs \$6000 to USA.

US\$:—Highest & lowest rates of last week per US\$100 in HK\$:-notes 607½—603¾, DD 611—607¼, TT 613—609¾, equiv. to crosses of US\$2.61—2.624 (6.3—6.7% below official parity). Business done: US\$460,000 in TT, 312,000 in DD and 325,000 in notes.

Bank Notes:—Prices of last week:—piastres \$12, Nica guilders \$3½—2, Java guilders 1½—1, baht 27. British pound 15.25—15.20, Australia 12.58—12.50, Canada 5.44—5.40½, India 1.07—1.05½, Burma .80—78, Ceylon .97, Malaya 1.82½—1.82, Peso 2.37—2.25.

Chinese Exchange:—Unofficial remittances to Canton were done at \$100.20—99.80 per 100 in Canton; Shanghai gold remittances 81½—79½, and US\$ remittances 100—96 per 100 in Shanghai; Taiwan gold remittances 68—65½, US\$ remittances 90 per 100 in Taiwan. People's Bank notes sold here at HK\$ 1.65—1.70 (about at par with official rate).

Pre-Holiday Lull for Hongkong Stocks

Pre-holiday influences tended to keep business at a low ebb on the Hongkong Stock Exchange (i.e. \$382,624 or about 50% of the previous week) & price changes were the exception. For the third week in succession, enquiries from London for Hongkong Bank stock were reported. The interest of United Kingdom investors was believed to have been also directed to the shares of the Indochina Steam Navigation Company. In the case of the latter the market commented favourably on the proposal to split the shares of £5 denomination into units of £1.

Closing prices at the end of last week were as follows:—

Stock	High \$	Low \$	Sales
H.K. Govt. Loan 4%	98	—	\$5,000
Hongkong Bank ...	1240	1230	58
Bank of East Asia ...	101	101	200
Union Insurance ...	540	540	60
Asia Navigation ...	65	65	18,500
Hongkong Docks ...	14	14	300
Providents ...	9.60	9.60	1,750
Wheelock Marden ...	21	21	700
Trams ...	10.70	10½	4,180
Lights, old ...	9.70	9½	3,300
Electric ...	21½	21½	1,258
Dairy Farm ...	31¾	31¾	640
Watson's ...	21¾	21½	1,030
Sun Co., ...	1.80	—	560
Sincere's ...	2.80	—	450
Shanghai Loan ...	1.05	1	2,000
Ewo Cotton Mills ..	1.90	1.80	3,900

Canton Insurance Office's Record Year

The total funds of the Canton Insurance Office Limited rose from \$25,773,795 to \$26,006,540 (£1,610,862) during 1949, while total income advanced by \$852,170 to an aggregate of \$9,357,379. The Chairman, the Hon. D. F. Landale, in reporting the progress of the Office at its 65th Annual meeting on 17th May, drew attention to the record premium income, increased by \$758,966, which "reflects progress in all parts of the world where we operate, especially in London." (The Office, it may be mentioned also have agencies for fire and marine business outside of Hongkong and China) in Malaya, India, Siam, Australia, New Zealand and the U.S.A.

Operations in 1949

The nett amount at Credit of the Profit and Loss Account at the beginning of the year was \$712,438. The amounts available for disposal as the result of the year's operations were:—

Interest and Dividends (less tax)	\$ 704,104
Transfer from Underwriting Account	356,886
Tax provision prior to 1947, longer required	1,268,071
	<u>\$2,329,061</u>

After providing for General Expenses (\$117,387), Consulting Committee Fees (\$22,000) and a transfer to General Reserve of \$500,000 there was a disposable balance of \$1,902,277. From this balance the payment was approved of a dividend of \$15, (free of tax) on the 50,000 shares of \$50, at a total cost of \$750,000. The dividend is equivalent to a 30% payment on the issued capital as compared with 28% for the previous year and at the current quotation on the Hongkong Stock Market of \$280 the shares show a yield of 5.3%. Other appropriations from the balance consisted in transfers to the Contingencies Reserve of \$200,000 and a carry forward of \$452,277.

Strong Reserves

The Reserves of the Canton Insurance Office now stand at \$7,000,000 to which is added \$3,265,258 in the Investment and Exchange Fluctuation Account, making a grand total of \$10,265,258 (£641,578). The Investments of the Office had a total value at the end of 1949 of \$19,203,897 (£1,200,244), of which rather more than three quarters were invested in British, Dominion & Colonial Government Securities and the balance in Railway and other Ventures and ordinary stocks.

Rising Costs

In commenting on the year's operations, the Chairman drew attention to the rise of losses to \$1,563,267 and to a rise in commission and expenses to \$454,996 involving an increase in the respective ratio over the previous year of 13.60% and 3.25%. A large proportion of this abnormal increase in losses was due to the settlement during the period of a backlog of repairs under Hull policies of earlier years. As regards expenses, the rise was attributable to the expenditure on the London Agency for a period of fifteen months, as compared with nine for the previous year.

Prospective New Business

Looking to the future of the Office, Mr Landale reported that a promising start had been made in underwriting fire business in Australia, which had been commenced during the previous summer. He expressed the hope that "with care and selection, it should be possible to build up portfolios, which should have an important contribution to future results." In other respects the Chairman did not overlook the effects on income of the Nationalist Government's blockade of China Coast ports, which had also been responsible for a prolongation of underwriting liability on the cargo, destined for China, still in the congested go-downs of Hongkong. The time for individual underwriting in Japan had not yet arrived and the Office was still represented by the British Insurance Group there.

Report from Manila

(Special to the Far Eastern Economic Review)

During the month of May domestic business was impressive by its absence and while seasonal influences are considered responsible for this condition, many other reasons could be the cause. Report of the Central Bank showing the Trade Comparison with 1949 shows the following figures:

Importations During First Quarter:		
	1950	1949
	Pesos	Pesos
Imports of Controlled Goods ..	51,800,000	63,300,000
Imports of Uncontrolled Goods	42,000,000	64,300,000
(for consumption)		

Imports of Uncontrolled Raw Materials		
Imports of Controlled Raw Materials	3,800,000	14,200,000

The new Import Control Law which was passed by the Philippine Congress provides for setting aside of 30% during 1950 (40%-1951; 50%-1952) of all import quotas for new Filipino importers as well as new American importers. The addition of "American Importers" was a result of the protest filed by the U.S. State Department branding the proposed measure as discriminatory to American firms and in contradiction to the provisions of the

Bell Trade Act. While under the new Import Control Law new American firms are given similar rights as new Filipino firms it still remains to be seen if the Law will be carried out to the letter or "obstacles" will hamper its compliance.

Unfortunately it is expected that the International Gold Reserves of the Central Bank will decline. The U.S. Government expenditures are going to be considerably curtailed and the Philippines will have to rely upon its export trade to bridge the dollar gap. On the other hand the export trade has not developed to the point where a favorable trade balance can be maintained as was the case before the war.

Travelers leaving the Philippines at the end of May find themselves faced with the problem of leaving their money behind since the new policy of the Central Bank to ration granting of foreign exchange to dollar receipts for each month prevented them from obtaining dollars as early as May 20th.

Traders feel that the Central Bank should assume a new and realistic attitude towards the foreign exchange situation and allow importation of any merchandise providing that no request

for foreign exchange is made to the Bank. Furthermore, exporters should automatically be given a certain amount of foreign exchange to be utilized for unrestricted imports (within the specified amount) regardless of the type of goods to be imported. This naturally would stimulate export trade as any importer desiring to stay in business will strive to export.

Currency in circulation is on the increase, however, the Central Bank explains this situation by the fact that coins of small denominations are being issued daily to prevent disruption of normal trade. Five centavo coins are about the only silver coins in evidence while ten, twenty and fifty centavo coins are seldom found.

The Philippine Congress has just passed a "Coin Anti-hoarding Bill" which provides penalties for possession of coins in excess of P50. This law might improve the small change situation.

Talk of devaluation is still persistent and the latest predictions are for June-July, however, Mr. Miguel Cuaderno appears to be the only one who knows for sure!

with pay (b) 2 days off for every month of service (c) no dismissals without just cause (d) preference in work assignment to old timers and (e) check-off.

Industrial

Another proof of the potency of trade controls in encouraging the growth of domestic industrial production is the proposed expanded plant of the Colgate-Palmolive Peet Co. in the Philippines. Production at present of its plant in Intramuros is not enough to supply the needs of the Philippines and the Far East. A new plant, therefore, is contemplated which can supply all Oriental demands. Plans are complete for a P.2,500,000, CPP production unit to be established in Makati, Rizal, with the parent company in America supplying P.1 million in the form of capital equipment and machinery. The balance, or about P.1,500,000, will be raised locally.

This is perhaps the first fresh capital that will be invested in the Philippines ever since the imposition of exchange control. It can be withdrawn only after five years of operation and only at the rate of 20 percent every year after the fifth year.

Economic Reports from the Philippines

Prices

Average retail prices in the week ending April 22, 1950 declined 3.5 points, or 1.3 percent, compared with the previous week. The index was 265.0 (1941=100), 0.9 point or 0.3 percent, below four weeks ago, and 0.6 or 0.2 percent, lower than the comparable week of 1949. The net movement of prices in the retail market during the week followed a downward tendency as declines in foodstuffs, wearing apparel, construction materials, and starch and oil were not completely counterbalanced by advances in cigars and cigarettes and electric and school supplies.

Foodstuffs declined 3.0 percent as the prices of fish, string beans, ginger, mongo, bananas, imported onions and tomatoes dropped by more than 10 percent; cabbage and garlic by more than 5 percent; and powdered milk and coffee by more than 1 percent. These price reductions were hardly offset by price advances of second class elon-elon rice, potatoes, and sardines. The 2.1 percent drop in wearing apparel was due to price decreases in Ang Tibay footwear—11.8 percent for men's shoes and 3.6 percent for ladies' shoes. Apitong and white lauan were down by 5 percent, causing a drop of 1 percent for construction materials. Starch and oil likewise fell by 1 percent. Cigars and cigarettes however continued to move upward by 6.6 percent while electric supplies averaged 5.3 percent higher through the week.

The imported items remained practically unchanged as price declines were offset by price increases within the group. The locally produced items,

reversing their upward movement, averaged 2.3 percent lower during the week.

The cost of living of a wage earner's family remained unchanged for the week ending April 22, 1950. The index was 367.4 (1937=100), 10.1 points, or 2.7 percent, below four weeks ago, and 23.3, or 6.0 percent lower than the corresponding period a year ago. All group items remained unchanged, including the food costs of wage earners which were hardly affected by the movement of prices of selected foodstuffs, as the advance in prices of miscellaneous food items was counterbalanced by the declines in fruits and fish.

Labor

The need for a workable minimum wage law for all industrial establishments was indicated by Secretary of Labor Primitivo Lovina. A bill designed to set such a minimum wage has been drafted by the department. The essential need at present is to have a "floor" on wages, equal at least to an amount necessary to maintain the employees' efficiency, health and general well-being. The question of fair wages will be left for determination through collective bargaining. The proposed measure will remove from the CIR the power of fixing minimum wage.

CIR Judge Jose S. Bautista ended the four-day old strike at the Pampanga Bus Company when he ordered the 600 strikers after a four-hour conciliation conference to return to work. The strikers won, among others, the following concessions: (a) 15 days sick leave

Economic Mobilization

Salvador Araneta, president of the Feati Institute of Technology, in a speech before the Philippine Economic Association proposed a P.2,000,000,000 five-year program of total economic mobilization designed to arrest the deteriorating economic and peace and order situations of the country. His program called for (1) A coordinated agricultural policy which would open new lands and provide for a revolving fund of P.10,000,000 for fertilizers and another P.10,000,000 for irrigation pump service; (2) An industrial and urban policy to provide for the orderly organization of essential industries, co-ordination of government resources with private initiative and capital and measures to improve the living conditions in the urban areas; (3) Creation of three kinds of economic instrumentalities, namely, development banks, a national bank for cooperatives and a prime commodities stabilization corporation; (4) An educational policy for scientific agricultural and technical courses which would prepare skilled manpower; and (5) A national financing program for this economic mobilization scheme which will authorize a bond issue of P.2,000,000,000.

Corporate Profits

The Atok-Big Wedge Mining Co., Inc. realized a net profit of P.2,305,-494.22 in 1949, according to an annual report of the firm. Total profit for the period was P.2,619,911.65. Of this amount a total of P.314,417.43 was paid for income tax provision.

Philippine-Japan Trade

The drafts of a trade arrangement between the Philippines and the Supreme Commander for the Allied Powers, acting in behalf of Japan, were signed by the chief negotiators of the two governments. Three interdependent agreements which form the basis of the projected trade arrangement were signed by Counselor Lucas V. Madamba of the Department of Foreign Affairs and Frank E. Pickelle, SCAP representative.

Trade arrangement between the two countries would be restricted to specified products in specific amounts, the aggregate value of which is not to exceed \$20,000,000. It was stressed, however, that although the plan was restrictive of trade in nature, it might be reviewed at any time upon mutual consultation and agreement. A financial agreement provides for the settlement of accounts of either party arising from trade envisaged in the trade pact.

General Romulo

Ambassador Carlos P. Romulo, president of the fourth session of the UN general assembly, in his address before a joint session of Congress, analyzed the world situation and concluded that universal disarmament is the only means whereby lasting peace can be achieved.

"For while peace is our immediate objective, it is not our final goal. We do not seek peace for its own sake alone. We look beyond the attainment of peace to a larger task: the promotion of social progress and better standards of life for all men in freedom and security.

"The vista that beckons to a world at peace and united in a common endeavor for the good of all is a dazzling one. The work of the United Nations in the social and economic fields provides us with an exciting foretaste of the rewards that await us should we prove equal to the challenge. We have the means to ameliorate and ultimately to wipe out hunger all over the world.

Through a pooling of know-how, equipment and natural resources, we can raise the living standards of all peoples.

"It is a breath-taking prospect; a world in the making which will not only be at peace but free, prosperous, healthy, enlightened and moving resolutely towards wider freedom, a more abundant life and ever-greater achievements in the arts and sciences. It is the substance of mankind's immemorial dream of **One World**. It can be ours for the taking, but we must join hands to reach for it. Otherwise, it will elude us forever."

Ambassador Romulo then made an appeal for unified support to the coming conference of representatives of countries in South east Asia and in Western Pacific (SEAU).

"It is to be a conference of neighbors and friends, discussing what they can do to help one another to promote the common economic, political and cultural interests of our region as a whole," he said.

Public Finance

Manila's 1950-51 budget draft, featuring an "austerity" slash of P.2 million compared to the current fiscal budget, was signed by the City Treasurer and forwarded to the Mayor. The new budget is P.510,321.01 more than the "third tentative budget" estimate reported by the city's five-man budget committee. It is estimated to be 74.5 percent wages and salaries. Significant is the city's attempt to fulfill President Quirino's policies on austerity by proposing a budget already P.1,912,272.64 less than the current budget of P.27,749,351.40.

The lower house committee on appropriations reported a modified general appropriation bill for the fiscal year 1950-51 with a total outlay of P.266,928,409. In its present form, it had already been slashed by about P.19,000,000. It represents a reduction by more than P.25,000,000 from the amount of the authorized appropriation of about P.291,000,000 for the current fiscal year.

The U.S.-Philippine War Damage Commission reported the adjudication as of April of private claims and the payment of more than P.575 million to private claimants and the allocation of P.110,400,000 of the P.110,600,000 available for public claims and payment of P.81 million to the Philippine government. Because of awards and payments on public property claims, the commission said that, as of April 1, school facilities had been provided for 3,000,000 students, hospital accommodations for 3,000 bed patients, water facilities for 6,700,000 persons and direct employment for more than 17,000 workmen.

Provincial News

Business transactions in Cagayan, both wholesale and retail, moved at a brisk pace during March. With the advent of the Holy Week and the closing exercises of the different schools, people resorted to selling their rice, corn, peanuts and other products even at low prices to be able to buy such items as textiles and other wearables.

While imported items like coffee, cocoa, cigarettes and cosmetics were maintained at sky-high prices, domestic products were on the downtrend. Newly harvested rice opened at P.0.70 per ganta but dipped further to P.0.65 at the close of the period. Corn grains opened at P.9 per sack of 70 kilos but receded to P.7.50 at the close. Except for a few cases, the harvest of lowland rice came to an end during the period while that of early corn and leaf tobacco products had just started.

A critical rice shortage this year throughout Pampanga was predicted by a group of Pampanga mayors during a conference with Governor Jose Lingad. Agricultural production, they said, has been curtailed by the present upsurge of dissidence. Farmers in various municipalities are reported leaving their work in the fields and evacuating to other towns with their families. They have stopped tilling the soil for

fear of being harmed by either civilian guards, PC soldiers or Huks.

Over 1,400 teachers in Laguna have not been paid their salaries since March and a threat looms that they may not be paid until June unless the P.159,-448.37-overdraft in the provincial teachers' fund is provided for immediately. In view of the precarious situation which will put the teachers in financial difficulties, the superintendent of schools has taken steps to appeal to the proper authorities in Manila to solve the problem.

Food production campaign in Iloilo is gaining momentum as wider areas of land are being put under cultivation, the department of agriculture reported. This was attributed to the opening of more private irrigation pumps along big rivers. Aside from rice, corn, sugar cane, tobacco and mongo, farmers are giving importance to citrus planting. Abaca which has been neglected years before is now gaining favor among the farm people. The result of abaca planting in Maasin, Januay,, Lambunao and Calinog is very encouraging.

Another film-producing company, the National Pictures corporation, has been organized in the Visayas with head offices in Cebu City. The firm has an authorized capital of P.200,000, with prominent businessmen in Cebu, Leyte and Manila among the incorporators. According to its vice president and executive producer, it will produce and distribute Fil-American pictures here and abroad.

Plans for a new townsite to be located at Barrio Mabinary, 47 kilometers west of Bais, have already been completed, according to the chief of the classification party of the Bureau of Forestry in the Visayas. The proposed town will occupy about 500 hectares of agricultural lands which will be subdivided for distribution among settlers at nominal prices. The site was selected because of the presence of a big natural spring suitable for waterworks and irrigation purposes.

Due to the reported decline of copra production, the premier money crop of the area, and the rising trend of prices of most imported commodities, business turnover in Surigao and Agusan during March was poor. Consumers displayed disinterestedness in buying imported items at sky-high prices. Purchases were limited only to immediate needs. Most conspicuous up-movers were American cigarettes, toilet soap, canned coffee, coffee seeds, garlic, sunkist oranges and most textile items. On the other hand, most local products figured in a recession of prices due to sufficient supply.

The price of copra advanced P.1 at the close of the period at P.35.50 per 100 kilos, rescada basis, due to the effects of the typhoons during the latter part of 1949 which are still being felt by the coconut industry in the area.

In view of the slow pace of business, transportation operators, both land and water, reported reduced receipts. Labor conditions were peaceful as usual.

Plumbing & Sanitary Ware Trade of the Philippines

Production, Exports and Consumption

Neither sanitary ware nor plumbers' brass goods are produced in the Philippines. There are no exports or re-exports; therefore, consumption approximately equals imports.

Dwelling installations are limited to homes of persons with substantial income who comprise only a small percentage of the population. Demand since the war has been stimulated by war-damage payments and should remain considerably higher than in the prewar period.

Imports

Water closets comprise the principal items of sanitary ware imports but some sinks and lavatories are included. Demand for bathtubs and laundry facilities is extremely small.

Preference is shown for vitreous china water closets and lavatories but sinks, bathtubs, and a small proportion of the lavatories are usually desired in enameled iron and steel.

In the early part of 1948, a few Japanese water closets were imported but their appearance and quality were considered inferior and they were not sold readily until it became evident that supplies from the United States might continue to be short.

In the middle of 1948 a few shipments of water closets were imported from France, Italy, and Germany. These are reported by the trade to have been produced by subsidiaries of a United States manufacturer whose brand is extremely popular.

Shipments in 1948, from sources other than the United States, ceased when it became apparent that United States producers could supply the demand.

Virtually all imports of plumbers' brass goods, except some faucets of inferior quality from Hongkong and China, are supplied by the United States.

The dominance of United States products in the Philippine market is obvious.

Because United States sanitary ware products are so far in the lead, a more graphic analysis of demand can be made from United States export statistics than is possible from Philippine import statistics.

Prior to the war, vitreous china water closet bowls and sets generally were the largest individual item of unit sale. Since the war, sales have been more diversified.

United States exports of sanitary ware, exclusive of plumbers' brass goods, for the first 9 months of 1949 averaged about \$10,500 per month less than the 1948 monthly average; the comparable decline in plumbers' brass goods was about \$4,700. Available information indicates that sales in those categories may be reaching a more normal level. This is substantiated by relatively recent reports of the easing of building activity in the Philippines.

The monthly average value of building licenses issued in the first half of 1949 was lower than in the year 1948 although it was eight times the highest prewar monthly average of 773,380 pesos in 1938. Real estate sales for the first half of 1949 do not indicate that the level of 1948 sales will be maintained.

Duties and Regulations

Products which qualify as United States articles under terms of the Philippines Trade Act of 1946 enter the Philippines free of ordinary customs duty until July 3, 1954.

For imports from countries other than the United States the duties are 10 per cent ad valorem on lead sanitary wares (Sec. 8, par. 52 (a) of the Philippine Tariff Act of 1909, as amended); 10 per cent ad valorem on porcelain and earthenware sanitary wares (Sec. 8, par. 11 (a) of the Philippine Tariff Act of 1909, as amended); and \$1.10 per 100 kilograms on iron and steel pipes (Sec. 8, par. 33 (a) of the Philippine Tariff Act of 1909, as amended).

Section 8 of the Philippine Tariff Act, as amended by Act. No. 4036 of the Philippine Legislature, provides that no article bearing evident signs of being for sanitary construction shall pay a higher rate of duty than 20 per cent ad valorem. By 'sanitary construction' is meant the fixtures, fittings, and attachments, such as pipes, valves, drains, spigots, basins, faucets, douches, sinks, and water closets, used in modern sanitary house plumbing and for bathrooms.

Sanitary wares are not restricted by the Philippine Government's import control but a sales tax of 5 percent is payable on the first sale. Advance payment on this tax is collected, based on the landed cost, at the time of customs clearance.

Distribution

Prior to the war, most sales were made direct by the importer to the consumer and only a few were handled by retailers. Postwar, there has been a notable increase in the number of Chinese retailers who buy from importers on credit of 30 to 60 days. The distribution of plumbing materials and related commodities is, in practice, almost a Chinese monopoly, a negligible amount being handled by United States and Filipino firms. Plumbing materials are generally sold on an indent basis with only a small proportion imported for the account of the sales representatives. Most shipments are now made on a D/P (Document against Payment) basis whereas in 1946-47 it was customary to open letters of credit for all purchases.

Retail prices, in pesos, indicative of the market are as follows: Water closets, 75 to 120; lavatories, up from 40; the most ordinary kitchen sink made of galvanized sheets, 10, and 15 for the enameled type, both in the 16" x 24" size.

Mark-ups vary, although importers agree that they make from 7½ to 10 percent on sales to the retailers, who in turn normally make from 10 percent up, depending on their stock position. It is not uncommon for a retailer to sell

Philippine Exports of Finished Coconut-Oil Products

Locally produced copra (dried coconut meat from which coconut oil is extracted) is by far the principal raw material used for the Philippine production of soap, shortening, margarine, and refined edible oil. Other items such as hardening oil, resin, caustic soda, and part of the packaging supplies, all of which must necessarily be imported, are a quite small part of the finished-goods cost compared with copra. Thus, the soap and edible oil-products industry is truly a vital factor in any national self-sufficiency program.

It should be noted that edible-oil products made from coconut oil, a vegetable oil, are especially appetizing and overcome some of the difficulties inherent in similar products made from animal fats and oils. In particular, Philippine margarine appears to be much more delicious as a table spread than margarine known to other countries.

There would be many more opportunities to export large quantities of these coconut-oil products, were it not for these reasons:—

1. Inter-country trade barriers and restrictions.
2. Widespread lack of dollar exchange.
3. Current high cost of crude coconut oil compared with the cost of tallow, soybean oil, cottonseed oil, and other fats and oils used in competitive products manufactured in other countries.

In the Philippines right now is enough plant capacity —

1. To supply the current per-capita consumption of fats and soap in the Philippines, and
2. To provide substantial quantities of finished products for export.

excessive stock without any profit, although charging a mark-up as high as 50 percent on items in short supply.

Until late in 1948 there was a serious shortage of water closets. Stocks now are reported sufficient for demands and the supply of all other sanitary items is reported ample.

Outlook

Notwithstanding a leveling-off of sales of sanitary ware and plumbers' brass goods, the Philippines still constitute an excellent market. Such commodities are not expected to be domestically produced in the near future. United States suppliers, therefore, are likely to hold the quality market at least as long as the present tariff advantage is maintained.

A market for sanitary ware in the Philippines, which looms large has scarcely been tapped. It is in the urban working-class homes and on the millions of small farms. This market should be of considerable interest to the industry as a matter of public health as well as export trade. One solution proposed has been local manufacture utilizing some domestic materials.

Local producers want to export, but most countries in the sterling bloc or in countries short of dollar exchange, greatly restrict or prohibit importation of these products from dollar areas, since they have other sources and agreements.

The few countries remaining that can still turn up dollar exchange, find Philippine edible and soap coconut-oil products a luxury as compared with exports from the United States, for example. The reason is simple. The raw materials are a very large part of the entire product-cost. Current quotations in U.S. cents are: Coconut oil 13½ cents (not including 3 U.S. cents processing tax), cottonseed oil 12½ cents, soybean oil 12 cents, lard 9½ cents, as edible raw materials, while for soap compare coconut oil 13½ cents (not including 3 U.S. cents processing tax) and tallow at 6½ cents. Some coconut-oil products can command a slight premium, but the spread cannot be that large and still turn up volume export business. In addition, the differential ocean freight costs from the Philippines to many countries widen the gap even more.

Why is coconut oil currently priced so much higher than other fats and oils? Because world demand exceeds world supply for this particular oil. And why is that?

1 War-torn supply areas have not been completely rehabilitated.

2. Some areas were given a bad setback by typhoons and disease in 1947, and have not fully recovered.

3. Apparently some producers and labourers are satisfied to produce less than maximum, as demonstrated by prolonged holidays, absenteeism, held-back production for market-strengthening purposes, and some lack of cultivation and replacement (plus some premature or post-mature picking of nuts).

4. The marketing channels are sometimes complicated.

5. The increase in demand for desiccated coconut has resulted in a situation where it is necessary for desiccated-coconut plants to go after nearby nut production aggressively and they are sometimes forced to reach out to remote parts of the Philippines. This means that both local edible-oil products manufacturers and desiccated-coconut plants are in stiffer competition for supplies than previously.

6. In a few instances, dissident activities have held up production and marketing.

7. While many pre-war foreign coconut-oil users have found substitutes and other sources of supply, it seems that new coconut-oil uses have been developed and new markets have appeared to soak up the decrease of demand from pre-war users.

How does this affect the Philippine economy?

The coconut export industry is of tremendous proportions. In 1949 it is estimated that over US\$130,000,000 was turned up by this industry as a result of exporting copra, crude coconut oil, desiccated coconut and copra cake. On

Japan's Labour Economy

On April 29th the Japanese Ministry of Labor made public its white paper, *Analysis of Labor Economy in 1949*, the second of a series since April last year. Breaking down the contents into employment, unemployment, wages, standards of labourers' household spending, labor-capital relationship, and labor productivity, the report goes back over the developments in 1949 so as to account for the diverse new trends which had appeared since Japan's economy started on its course toward ultimate stability.

While a considerable portion of the previous report had been devoted to a review of postwar changes in the light of prewar conditions, emphasis has been placed in the present issue on the fact that, under the implementation of stabilization plans, the nation's labor economy has also come to manifest a marked transitional phenomenon.

The salient points are:

(A) Not only has the sharp rise in wages been curbed, but also tardy payment is becoming more and more frequent in diverse branches of the nation's industry.

On a copra-equivalent basis, these exports amount to approximately 750,000 long tons.

How does this affect the local manufacturer?

1. Since more than 85% of the copra made is exported as copra or crude coconut oil, the cost of raw material to Philippine manufacturers of edible oil-products and soap is governed by the whims of the world copra and coconut-oil market (which is currently relatively high). Not only does the situation force up export prices, but it also keeps local costs high.

2. In addition to the 10 or more large edible oil-products manufacturers, there are many "backyard" soap factories and small oil producers that go in and out of business monthly. They operate when the price of copra is low and stop when it gets higher.

The obvious answer to this supply problem is —

1. More production of copra and improvement of quality. Any decrease of price, without increased production, will turn up less dollars; and

2. Streamlining of marketing channels.

Improvement of these two factors should result in —

1. Lower prices for Filipino consumers of edible oil-products and soap.
2. More opportunity for Philippine manufacturers to compete in the world market for both crude and finished products — expanded exports.

3. Less incentive for present world users of coconut oil to search for substitutes and other sources of supplies.

4. More solid foundation for future maintenance of this important industry.

(B) Forced by the monetary stringency and excessive inventory holding, business enterprises are being compelled to rationalize their management through reorganization and payroll cut.

(C) Consumers' effective prices have begun to show a recessive trend for the first time after the war, due largely to the increase in rationed staple foods, improvement in production, and price downturn taking place overseas as well as at home.

(D) A self-examination period has set in for radical unionists and the revision of the Labor Union Law has put a spur to the movement of organized laborers along democratic lines. Labor offensives in September maneuvered by the National Railways and Telecommunications Workers unions fighting against administrative reform were brought to an end by the democratic factions who came into power in these organizations.

(E) Despite the sizable increase of dismissed people in some sectors of national economy, due to rationalization, the number of unemployed as a whole is comparatively low.

As a conclusion to these evidences, the white paper expresses hope for improved labor conditions to be achieved by promoting exports, positive utilization of aid counterpart funds, as well as by encouraging industrial activity through the promotion of public utility works and other unemployment relief projects. At the same time, the paper also holds forth much hope in connection with the contemplated standard wages to be secured for the working people and the enforcement of a unified social security system.

A synopsis of the report follows.

Employment

The number of employed which had been constantly rising since the war end tended to lessen in 1949 and this change has become clearer in the following months excepting April when schools send out new graduates. Decreasing demands for man power coupled with the increase in the workable population (those aged 15-50, male and female) have increased the number of jobless people. An official labor statistics, in which the epithet "jobless" is construed as those who could not get a paid job even for a single hour during the one week preceding the investigation, reveal that around 380,000 workers were idle. In other words, their number has doubled when compared with the average of 190,000 registered in the previous year.

Another evidence is drawn from the statistics on the registered jobless people receiving unemployment insurance payment, which shows that 322,000 workers were looking for jobs as of November, 1949, or a 12 times increase from that of a year ago.

Latent Unemployment

The natural increase in population at the rate of 1,500,000 yearly, in addition to the home-coming of the 6,500,000 repatriated soldiers and civilians since the end of hostilities, have given rise to a most difficult problem for this country teeming with a growing population. This situation has exerted a grave influence upon employment. In agrarian communities the number of the farming class had been on the increase as compared with the prewar days, but in 1949, the state of over population is believed to have become more than intensified.

The excessive man power was created by:

(1) those turned out of jobs due to the enterprise reorganization;

(2) movement of the small and middle class businessmen, including their dependents, who were compelled to close business;

(3) middlemen and brokers who had to quit business following the levelling off of monetary inflation;

(4) increase in productive age;

(5) mobilization of family members to earn their living, threatened by the monetary stringency.

Most of these people are believed to have been absorbed by agriculture and forestry. According to the Ministry of Labor records, the latent unemployed workers (i.e. those employed in odd job for less than 35 hours a week) are believed to reach 8,610,000 taking the January-November average.

Wages & Household Expenses

The nominal wage base for those working in private enterprises remained almost unchanged during the first 6 months, and advanced only slightly during the following 6 months. (According to the index number for real wages, taking the average of 1947 as 100, November 1949 registered 215. It is to be noted, however, that, compared with that of prewar days, the 1949 (yearly) level was only 75.2 per cent). Despite the upward revision of official prices, the consumers' effective price which had failed to show any sizable rise throughout 1948, began to drift downward in May 1949 due to the sharp decline in the price of free and blackmarket commodities.

While price recession has occurred only in some categories outside the scope of official control, the retail price indices, believed as best representing the move of official prices, rose 11.1 per cent in 1949. It seems, therefore, that the living in the lower income group whose household economy depends heavily on the goods distributed them by the Government, has been eased very little by virtue of the price recession.

Productivity of Labor

A marked improvement took place in 1948. During the year under review this favorable condition was felt more and more in the manufacturing and

Japanese Exports of Factory Equipment

With the implementing of the Point Four Program by the U.S. Government as a turning point, the Japanese export of heavy industrial machinery to the Southern Pacific countries has stepped into a new era. The advent of such an opportunity has been long expected, so that it would seem a bit late now to start contemplating the promotion of such export from this country.

Be that as it may, plant (installation) exports, according to the current Japanese terminology, has already earned for this nation around US\$25 millions since last April. Besides this,

mining fields. A labor efficiency index for the manufacturing industry based on the indices of production and employment, rose from 166.1 (January) to 187.9 (March), 199.4 (June), and 210.7 (September), each taking the average of 1947 as 100. It reached 226.2 in December, a postwar high with a year-to-year increase of 37 per cent as compared with 1948. In the mining industry the index rose from 114.7 to 147.0 during the period from January through December 1949.

The improved labor efficiency and wage stability brought about a significant departure of business enterprises toward decreasing the labor cost per unit of their finished products. Hand in hand with the streamlining of production which resulted in increased yield and cheaper supply of raw materials, the lessening of labor cost has made it possible to reduce the price of commodities offered nowadays. Business enterprises have been enabled not only to hold out against pressures being exerted by the stabilization plans, such as the repeal of subsidization and Reconstruction Finance Bank lending, but also to bring down the prices of their products to a point close to the overseas price level.

In some sectors of the nation's industry, e.g. coal mining or cotton textile lines to which markets are becoming narrower, export depression and increasing inventories are making it extremely difficult for the affected businesses to boost labor efficiency more than heretofore, as long as they work with the existing capital equipment. To take examples from abroad, the productivity of labour on the basis of 1937 reached 119.1 in the United States as of June 1949, 121.6 in Britain and 102.8 in Canada, each surpassing the base period, whereas in Japan the corresponding figure shows that it is barely halfway to the prewar level, i.e. 54.8. To compete in the international trade arena, it is essential for Japan to step up labor efficiency. From this viewpoint it would be necessary to rely on advanced capital equipment and technical know how as well as to elevate efficiency of labor through livelihood improvement to be adopted for the working people.

Japanese manufacturers still have unfilled orders, said to aggregate some \$30 millions, in addition to the trade enquiries received from overseas giving them prospects for another \$70 millions worth of exports.

The enquiries reaching here are various, ranging in value from several million dollars, such as for the power-generating plant installation needed in India, to those of well over twenty million dollars coming from Argentina for fertilizer production equipment, and mostly for delivery within 1-1½ year period following the orders.

The recent currency devaluations in Britain and Germany have threatened the stronghold of Japanese goods which had been offered, on occasions of international bidding, at 20-30 per cent cheaper than those from those countries. Worse still, owing to the industrial recovery being made by the competing countries, the comparatively short time allowed for execution of orders is adding odds to European competitors.

In view of these facts, and also because the Japanese dealers' credit stands low with the public, it will not be always easy for them to knock down European competitors on such occasions.

(1) EXPORTS in this line during the period from last April through January, this year, totaled US\$24,599,000 or, broken down by items, as follows (\$900 omitted, importing countries shown in brackets.)

(a) Ships...total \$6,300 including: 8 cargo boats (French Indo-China), 1 (Denmark), 69 barges (USSR), 6 whale catchers (Norway), 1 wooden vessel (Okinawa), 9 (USSR).

(b) Rolling stock...total \$10,080 including: 40 electric locomotives (Korea), 53 steam locomotives (Thailand), 28 (USSR), 229 freight cars (Philippines), 340 (Thailand), 122 (USSR), 71 passenger cars (Thailand), 22 (Philippines), 17 (USSR), 14 (Formosa).

(c) Factory equipment...total \$8,218 including 12 sets of bamboo button manufacturing equipment (India), 5 sets of tobacco producing facility (Philippines), 2 sets of pulp processing and paper mill equipment (Philippines), 4 dieseldriven dynamos with 300 kwh capacity (India), 4 turbine-generators of 1,500 kwh capacity (Formosa), 2 sets of 20-ton boiler, model "Takuma", (Formosa), 205,000 spindles of spinning machine (India), 38,000 spindles (Hongkong), 30,400 spindles (Pakistan).

(2) EXPORT CONTRACTS to be executed amount to US\$31,504,000 in total or, according to the foregoing classification, as follows:

(a) Ships...total \$22,998 including: Oil tankers (Norway, Denmark), freight boats (Philippines, Denmark, France, Panama Republic).

(b) Rolling stock...total \$5,030 including electric cars and passenger wagons (Thailand, Philippines).

(c) Factory equipment...total \$3,476 including: turbine dynamo, diesel dynamo, rotary converters, pump, railway accessories, rolling stock manufacturing equipment, spinning machine (India); hydropower generating facility (Pakistan), looms (China).

(3) Pending TRADE TALKS cover goods valued at US\$69,540,000 as follows:

9 oil tankers, 8 barges (Brazil); 10 whale catchers (Argentina), 500 freight cars (Pakistan), 4 steam locomotives and 50 passenger carriages (Philippines), broadcasting installation, 5000 circuit automatic switch board (Pakistan), 3 sets of hydraulic power-generating equipment with 8,000 kwh and 3 sets of thermal power equipment having a capacity of 1,500 kwh (India), 2 sets of hydraulic power-generating equipment with 8,250 kwh capacity (Argentina), a 7000 kwh thermal power-generating equipment, another with the capacity of 4,000 kwh (Thailand); 200,000 spindles of weaving and spinning machine (Pakistan), 30,000 spindles (India), 20,000 spindles (Thailand), 20,000 spindles (Hong Kong), 10,000 spindles (China), 7,000 spindles (Formosa), jute textile processing equipment (Thailand), paper milling equipment (India), fertilizer factory installation (Ceylon), factory equipment for producing electric appliances (Pakistan), factory equipment for producing electric bulbs (India), 5 sets of alcohol distillery installation (Argentina).

Since last fall, the deflationary tendency which has followed in the wake of the inflationary era had begun to confront varied enterprises with many hardships in their management. It is one thing that among a good deal of medium and small enterprises there are increasingly cases where they have had to shut down their factories or to give up their business for new ones, with strong signs of economic aspects growing from bad to worse.

It is another that large enterprises have been maintaining an outward calm under the pretence that nothing unusual has happened to their management. However, delving beneath the surface of their state of affairs it will become plain that even large enterprises are in dire distress due to the serious money stringency, and their calm can be nothing more than an attempt to veil their difficulties and to keep up a show.

It hardly needs saying that the big enterprise, from the viewpoints of capital, set-up credit, working scale and rationalization, is far superior to the medium and small enterprises, supported particularly by the facility in earning funds necessary for its smooth operation. This may be explained by the fact that nowadays banks and other financing institutions, in the face of much public criticism, are almost entirely inclined to extend credits only to large enterprises.

Large enterprises, however, utterly vary in their business conditions according to the type of industry in which they are engaged, and those favored with financial facility are defined in the domain of a few limited industries.

Assured by its monopolistic status the electric industry is such an enterprise in financially healthy condition, to which the ways are open for establishment of power rates on a profitable basis and for debenture issue when funds are required.

A glimpse into the top standing enterprises reveals that the iron and steel industry which is aided by bounties, also is regarded as doing well assured by increasing imports of raw material and decreasing cost price of import at present.

Apart from "C" grade enterprises, those ranked as either "A" or "B" among the chemical fertilizer manufacturing industries which are supported by government subsidies as well as a system whereby their productions are purchased solely by the Fertilizer Distribution Corporation, appear to retain plenty in reserve.

The cotton spinning industry, encouraged by its advanced operation rate and copious supply of raw cotton under the U.S. aid fund to Japan, is making a fairly good record in export.

It will be seen that clear lines are marked by these enterprises, which occupy the most favored business positions, thus setting themselves apart from the rest of the industries. Nevertheless, easy as it may be for them to acquire funds and successful, as their records may seem in profit making, a further inquiry discloses the fact that much of their obligations are still outstanding.

Thus, it seems that very few are able to realize a handsome margin of profit after their debts have been fully redeemed. Such being the case even with the enterprises employing beneficial footing, matters stand far worse for machinery and metal enterprises, which as typical industries are now suffering from serious business distress caused by deflation.

The latter two undertakings saw marked expansions in operation scale during the war, and have still many things to be adjusted, despite the necessary retrenchments and readjustments made following the war. Furthermore, there is the handicap that their products are durable goods and the recession has become conspicuous, particularly in overseas demand due to the present inactivity of Eastern markets.

It is a well known fact, as often reported in the newspapers, that large manufacturers like the Hitachi or Tokyo Shibaura Electric have been hard put to pay their taxes and employee's wages which are in arrears.

Japanese Cotton Production and Anglo-American Mission

Careful arrangements were made by Japanese cotton industry circles to receive the Anglo-American Cotton Mission which is to inspect the present day cotton industry in Japan. Since their visits are informal, the American and British missions, whose views on how to foster the Japanese cotton industry are expected to be in sharp contrast, will undertake political negotiations neither with Gen. MacArthur's Headquarters nor with the Japanese Government, but will hold direct talks solely with Japanese cotton people.

The Anglo-American mission members met Japanese representatives at the British Embassy to make arrangements for their inspection program. Among the Japanese representatives are Messrs. Hori, president of the Japan Cotton Spinning Association, Tagawa, managing director of the same Association, and Sakurada, president of the Nisshin Spinning Company. Speculations are rife as to the objects of the mission in Japan, but the cotton circles are looking to the British and American delegations in expectation that upon full realization of the present economic status of Japan they will find themselves bound to accord positive support for further development of her cotton industry, on the following grounds that;

(1) The Japanese cotton industry today is gradually recovering its world level so that its position in overseas markets has approached those of the British and American. The last year export volume of Japan's cotton products totalled as much as 745,870 thousand yards, an increase of 323,140 thousand yards as compared with the total in 1948. Not only does this eloquently bespeak the proximity to the total figures of 903,500 thousand yards recorded by British exports and of some 900,000 thousand yards by American exports during last year, but further boosting to a level between 900,000 and 1,000,000 thousand yards is anticipated as possible, thus enabling the Japanese cotton industry to stand at the forefront in the world markets.

(2) Such rapid expansion of Japanese cotton goods in the export market whereby British products are subject to stiff competition, has become a matter of serious concern for the British cotton industry, in view of past experiences in which the British had faced the indomitable advance of Japanese goods into the world markets as shown in prewar years.

(3) The American cotton industry, despite its speedy headway into the world markets after the war, seems to be least interested in competition with the Japanese, but are rather inclined toward a desire to continue fostering the Japanese cotton industry as a future potential consumer of American raw cotton.

(4) As far as their interests are concerned, the difference of opinions between the British and American cotton industries on the matter of the Japanese cotton industry is in striking contrast with the British standing pat for the necessity of setting up separate export markets for Japan and Britain respectively, and the Americans who are urging the advisability of further extending export markets.

(5) As far as Japan is concerned, in order to expedite a self-supporting economy, more efforts should hereafter be directed toward export of Japanese cotton products at such prices as will be fully possible to match the world market prices. In this regard, restriction of the export market for Japanese cotton products implies a serious blow not merely to the Japanese cotton industry but to the national economy, particularly at a moment when the plan to restore Japan's productivity to 4,000,000 spindles is approaching completion.

A comparison of the statements of account balanced in September last by several prominent machinery and metal enterprises with those at the February-end of this year illustrates what have practically been responsible for bringing business to the depths of such distress. Outlining the main points:

(1) the number of industries which have begun to lay down losses on balance sheets have become increasingly noticeable, while those with a good business record hitherto are mostly turning to loss account, with a loss far more than its capital account, (2) that accumulation of stockpiles is not so remarkable, but such short-term credit accounts as are involved in sales, bills, receivable, outstanding payments and so on are markedly on the increase, (3) attempts to meet debt account or to replenish losses only serve conversely to boost credit sales, bills payable, unsettled accounts, bills discounted and borrowings. It is on these grounds that dishonored bills are reported with too many frequencies, (4) decrease in stock of raw materials vital to production are seen almost without exception, and (5) a strong tendency for dependence upon borrowings, notably upon bank loans seems to be unavoidable in the present circumstances where business is based on insufficient capital so that inventories and liquid assets have to be covered by borrowings.

Economic Trends in South Korea

BANKING

Currency Circulation: During January, the currency issue has contracted sharply. The currency issue as of the end of January stood at 70,879 million won, a decrease of 4,200 million won compared with previous month. By the end of February it had dropped to 68,889 million won. During January, in Government accounts in the Bank of Korea, 3,140 million won of ordinary account receipts, 850 million won of special account receipts and collection of 1,400 million won of ECA and 100 million won of civilian supply proceeds resulted in 86 million won in excess of receipts. In private accounts, deposit increase and loan decrease resulted in recovery of 4,477 million won. Public holdings of U. S. dollars on deposit showed a decrease of 337 million won.

Deposits and Loans: As of the end of January, deposit balances in the various banks totalled 60,371 million won, an increase of 8,000 million won over the previous month's, while loan balances stood at 77,826 million won, a decrease of 508 million won.

The sharp increase in deposits resulted partly from the fourth national savings drive conducted since December 10, and partly from the fact that farmers had seasonally-greater amounts of cash to deposit as a result of Govern-

ment purchase of rice, cotton and tobacco. In that savings drive, the goal of 400 million won of time deposits was reached within the designated period. For other deposits, however, the target of 10 billion won was missed by 29% chiefly because of the stagnant financial condition of industries and general price rises.

During January, considerable industrial funds were released for such purpose as irrigation (100 million won) laver purchase (100 million won), rice purchase (625 million won), cotton collection (575 million won), cotton yarn supply (200 million won) and others. Repayment of loans by the Bank of Korea to other banks (340 million won), recoveries from the agricultural fund (1,800 million won) and the ECA supply fund (860 million won) reduced loans by 500 million won.

GOVERNMENT FINANCE

Third Supplementary Budget: The third supplementary budget for fiscal year 1949-1950, which was approved by the President and submitted to the National Assembly at the beginning of March, was in the net amount of 17,366 million won, of which 90% will be to pay salaries, wages and family allowances of Government officials. Breakdown of the budget: (in million won):—

	Salaries	Wages
Amount	3,698	439
Percentage (%)	21	3

Expenses include 5,818 million won for family allowances. Subsidies include 180 million won for public peace and 2,330 million won for primary education, both of which will be disbursed as wages and salaries.

Expenditures by Ministry (in million won)

Ordinary (Office of Administration)	1,335
Account (Ministry of Home Affairs)	3,787
(Ministry of Education)	2,433
(Miscellaneous)	9,779
Special (Monopoly Bureau)	5,547
Account (Transportation work)	1,553
(Miscellaneous)	2,436

General Total	26,870
Net Total	17,366

Revenues

Government Borrowing	15,246
Vested Land Management Bureau ..	1,917
Miscellaneous	204

Total	17,367
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Total government borrowings for fiscal year 1949-1950 should amount to 42,732 million won.

	Estimated	Assessed (A)	Collected (B)	Percentage (B/A)
Direct Tax	5,370,414	5,187,683	1,055,880	20.35
Income Tax	3,855,497	3,093,606	535,091	17.29
Land Tax	1,025,353	1,361,643	390,545	28.68
Business Tax	392,225	297,303	57,092	19.20
Inheritance Tax	64,252	90,163	21,611	23.97
Etc.	32,387	344,968	51,631	14.97
Indirect Tax	4,495,072	3,746,373	2,685,226	71.68
Alcohol Beverage Tax	2,029,978	1,951,650	1,698,791	87.04
Commodity Tax	779,586	91,094	42,723	46.90
Amusement Tax	536,372	728,669	271,631	37.28
Admission Tax	541,586	432,167	194,935	45.11
	607,551	542,763	477,146	87.91
Total	9,865,487	8,934,056	3,741,106	41.87

Absorption of National Bond: As of the end of February, the 10,000 million won, 5 per cent National bond issue had been subscribed as follows: (in 1,000 won).

Accepted by Banks			
	Allotted	Accepted	Percentage
Bank of Korea	234,000	93,600	40.0%
Industrial Bank	411,000	164,400	40.0
Commercial Bank	381,000	152,400	40.0
Cho-heung Bank	527,000	210,800	40.0
Savings Bank	224,000	93,600	40.0
Mutual Aid Bank	264,000	—	—
Trust Bank	176,000	70,400	40.0
F. F. A.	703,000	140,600	20.0
Total	2,930,000	925,800	31.5

Purchased by Public			
	Allotted	Purchased	Percentage
Seoul	1,286,400	9,967	0.8%
Kyonggi	457,200	188,743	41.3
N.-Chungchong	106,800	3,870	3.6
S.-Chungchong	210,400	13,390	6.4
N.-Cholla	227,600	109,401	48.1
S.-Cholla	319,200	91,795	19.4
N.-Kyongsang	456,800	119,722	26.2
S.-Kyongsang	779,800	33	—
Kangwon	130,000	1,590	1.2
Cheju	24,800	—	—
Total	4,000,000	508,511	12.7

AGRICULTURE

Land Reform: The Land reform program still has not begun because the supplementary budget appropriation has not yet passed the National Assembly.

The Government, which has prepared to carry out the Land Reform Act by spring cultivation period, has declared to distribute land to cultivators by special measures when the budget would not pass.

Rice Purchasing: As of the end of February, the amount of rice purchased by FFA agents totalled 3,248,308 suk, 92.8% of the original goal of 3,500,000 suk. The program had envisaged completion of purchasing by the end of January, but even this result was a good record compared with the preceding year's, when only about 51 percent of the goal was purchased.

The ratios of the purchased amount to the established goal in the past were as follows: 1946-82.9%, 1947-90.3%, and 1948-51.4%.

Incentive goods distributed as of the end of February included 1,970,000 yards of cotton cloth and 20,000 tons of fertilizer.

The original program envisaged distribution of 2,440,000 yards of cotton cloth and 300,000 tons of fertilizer. Meanwhile, the price of ECA-imported fertilizer was raised about 65% in accordance with the revised exchange rate between U. S. dollars and Korean currency applied only to the price of ECA aid supplies (counterpart exchange rate). The question of whether or not rice purchase program fertilizer certificates would be redeemed at the new prices or at the former low prices was taken under consideration by the President, the State Council and the Economic Stabilization Committee. It finally was decided to apply the lower prices, even though the Government thereby lost 6,200 million won revenue.

Afforestation Plan: The afforestation program has not been implemented because the necessary fund of 650,000,000 won has not been approved by the National Assembly.

The 1950 program envisages planting of 234 million saplings on an area of 108,000 chungbo, which would represent an increase of 30% compared with the preceding year's plantings.

Afforestation Program

	Afforested area chungbo	Number of saplings
State-owned forest ..	3,788	6,765
Private forest	90,000	179,147
Flood control work ..	15,000	50,000

FISHERY

Deep-Sea Fishery: ECA authorized appropriation of \$687,000 for fishing-boats on February 17, and the Korean Government is about to purchase 20 deep-sea fishing-boats with that fund.

The best deep-sea fishing grounds for Korean vessels are the East and South China Seas and the Yellow Sea. Since the liberation, the only progress made in the deep-sea fishing industry was the arrival of the s. s. "Chinam", purchased with ECA funds. It sailed on its first deep-sea fishing expedition on January 25.

Fishing boats which will be purchased with above-mentioned ECA funds are two 100-ton steel whaling boats, six 75-ton trawlers, six 50-ton trawlers and six carrying boats.

MINING AND INDUSTRY

Coal Production: Total production at government-managed coal mines reached 101,550 tons in January, an increase of 1,300 tons over the previous month's. The Samchuck anthracite coal mine yielded 42,288 tons, 3,500 tons more than in the previous month, but the Unsung, Machari and Hambae mines showed decreased productions. Total production of anthracite coal during January declined slightly compared with the previous month's. Lignite production at the Ulsan mine decreased, but at the Yongil mine it was much increased. Production of lignite aggregated 6,175 tons, an increase of 1,900 tons over output in the previous month.

Industrial Recovery Program: The first year of the Five-Year Industrial Program (April 1949—March 1954) will end on March 31. The following table summarizes extent of the year's recovery. (The figures shown below are index numbers with 100 equaling the goal).

Fishery

Fish	107
Shells	129
Seaweed	124
Others	118

Refinery

Electrolytic Copper	101
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Textiles

Cotton yarn	83
Cotton sheeting	161
Woolen cloth	52
Canvas	65
Stockings	42
Gloves	128
Cotton shirts	84
Towels	85
Hemp cloth	41

Mining

Crystalline graphite	44
Amorphous graphite	134
Kaolin	75
Alabaster	287
Talc	118
Lignite coal	82
Anthracite coal	95
Tungsten	69

Fuel

Gas	49
Coke	10
Coal briquettes	100

Paper

Machine-made paper	42
Korean rough paper	338

Ceramic Industry

Cement	12
Fire-brick	85
Common brick	68
Pottery & Porcelain	276
Glass	220

Power Production

Electric power	98
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Rubber Industry

Rubber shoes	143
Sports shoes	112
Rubber-top boots	74
Water-proof shoes	120
Automobile tires	66
Bicycle tires	156

Leather

Leather for shoes	140
Leather shoes	66

Note: Production figures for January through March 1950 were estimated.

Measured against the original goal of the program production of consumer goods in general was satisfactory but productive goods still were far from the goal. Achievement of the production goal for the second year is anticipated. If South Korea is to become self-sustaining within the short span of the program, recovery of the key industries requires urgent attention.

New Fertilizer Plant Establishing Program: To make South Korea self-sufficient in fertilizer, the Ministry of Industry and Commerce has mapped a program to establish a new fertilizer manufacturing plant expected to produce about 300,000 tons of nitrogenous fertilizer a year. This program envisages the use of 30,000,000 dollar of ECA funds. As the first step in the program, a technical investigation group of Americans and Koreans will study the measures in April this year.

COMMODITY PRICE

The recent soaring of the open market rice price has affected the general price level in the city of Seoul.

The general index number of wholesale prices in Seoul in February showed an increase of 3% over the previous month's. Grains rose 2%, eggs, fish and meat advanced 29%, textiles went up 1%, building materials increased 5%, and sundry goods advanced 1%. On the other hand, processed textile materials fell 1% and fuel dropped 9%. In general, consumer goods prices increased 4%, while productive goods showed a slight decline — 0.2%.

The rise in the prices of eggs and fish was due to an increase in market demand. An increase in the controlled price accounted for the rise of the open market meat price. The grain price continued the upward trend evident since the end of last year, although it slackened slightly at the end of February.

A survey of retail prices in the same month showed the general index number rose 4%, beverages 6%, clothing 10% and sundry goods 9%.

The price of fuel declined 6%, thanks to the continued mild weather. The price rise in beverages resulted from the increase in the price of rice. Clothing, excluding hemp cloth, showed a general upward tendency. The sharp rise of white hemp cloth was due to an increase in demand anticipating summer wear.